

**BEFORE THE OKLAHOMA WATER RESOURCES BOARD
STATE OF OKLAHOMA**

IN THE MATTER of Determining the Maximum)
Annual Yield for the Arbuckle-Simpson)
Groundwater Basin underlying parts of Murray,)
Pontotoc, Johnston, Garvin, Coal and Carter)
Counties.)

MOTION TO ADMIT EVIDENCE

COMES NOW The City of Ada, (on occasion, “Ada” or “City”) by and through its Attorney, D. Craig Shew, and submits its Motion to Admit Evidence and shows the Hearing Examiner why said evidence was not submitted during the Hearing:

1. On the 26th day of March, 2012, the Hearing Examiner indicated in her Notice of Prehearing Conference and Hearing that the subject Hearing would be held on May 15, 2012, beginning at 9:00 A.M. There was no indication in said Notice that the Hearing would be continued on May 16, 2012, or any other day.

2. On April 18, 2012, the undersigned had two bankruptcy cases set for hearing on May 16, 2012, at 11:30 AM in Bankruptcy Court in Okmulgee, Oklahoma. Since the OWRB Hearing Notice only indicated the Hearing would be held on May 15, 2012, the undersigned made no attempt to continue the bankruptcy hearing.

3. On May 15, 2012, the undersigned attended the OWRB Hearing and was prepared to present evidence through Ada’s City Manager, Cody Holcomb, but the rule making part of the Hearing was postponed until May 16th. That evidence is now being submitted in its Brief along with an Affidavit of Cody Holcomb attached to this Motion.

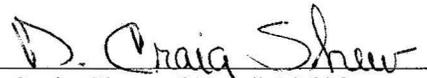
4. When the Hearing Examiner announced on May 15, 2012 at the Hearing that the Hearing would be continued on May 16, 2012, the undersigned immediately made the Hearing Examiner

aware of the conflict and, at that point, it was too late to seek a continuance and there was no one else available to cover the bankruptcy hearing.

5. Accordingly, under the circumstances set forth above, the City's evidence should be admitted.

WHEREFORE, The City of Ada prays that its evidence be admitted in this proceeding.

Respectfully submitted



D. Craig Shew, OBA# 10608

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Attorney for The City of Ada

CERTIFICATE OF SERVICE

I, D. Craig Shew, do hereby certify that on the 31st day of May, 2012, true and correct copies of The City of Ada's Motion to Admit Evidence were mailed with pre-paid, first-class postage, to each and every party listed by the Oklahoma Water Resources Board as Formal Parties in the Hearing-Mailing List Part 1, e-mailed to the parties on the Arbuckle-Simpson Maximum Annual Yield Email List, and hand delivered to the OWRB.

**BEFORE THE OKLAHOMA WATER RESOURCES BOARD
STATE OF OKLAHOMA**

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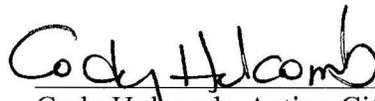
AFFIDAVIT OF CODY HOLCOMB

STATE OF OKLAHOMA)
) ss.
COUNTY OF PONTOTOC)

I, Cody Holcomb, being of lawful age and having first been duly sworn upon oath, state:

1. I am currently employed as the Acting City Manager of The City of Ada and I am authorized to make this Affidavit and have personal knowledge of the facts stated herein.
2. Prior to being employed as City Manager, I served as the City Engineer for The City of Ada.
3. As both the former City Engineer and now Acting City Manager, I am familiar with the City's water infrastructure, prior and current planning for water matters and the actions of the City Council in that regard, the City's historical and current water use, the costs associated with the various options available to obtain water rights, and I have reviewed the Proposed Tentative Determination of Maximum Annual Yield of Groundwater from the Arbuckle-Simpson Groundwater Basin.
4. I have reviewed in detail the City's Brief in opposition to the five-year implementation period and I have personal knowledge of the facts and information contained therein, and those facts and information are true and accurate to the best of my knowledge and belief.

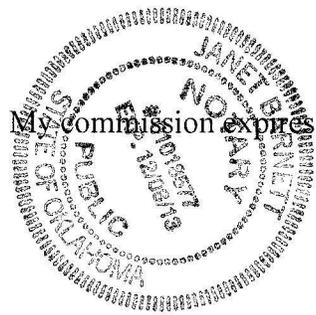
FURTHER, AFFIANT SAITH NOT



Cody Holcomb, Acting City Manager
The City of Ada

Subscribed and sworn before me, the undersigned Notary Public, this 30th day of May, 2012.

Janet Barnett
Notary Public
No. 01018577



Dec 8, 2013

**BEFORE THE OKLAHOMA WATER RESOURCES BOARD
STATE OF OKLAHOMA**

IN THE MATTER of Determining the Maximum)
Annual Yield for the Arbuckle-Simpson)
Groundwater Basin underlying parts of Murray,)
Pontotoc, Johnston, Garvin, Coal and Carter)
Counties.)

**BRIEF OF THE CITY OF ADA IN OPPOSITION TO THE FIVE-YEAR
IMPLEMENTATION PERIOD OF THE PROPOSED TENTATIVE DETERMINATION
OF MAXIMUM ANNUAL YIELD OF GROUNDWATER FROM
THE ARBUCKLE-SIMPSON GROUNDWATER BASIN**

COMES NOW The City of Ada, (on occasion, “Ada” or “City”) by and through its Attorney,
D. Craig Shew, and submits its written evidence in opposition to the proposed five-year
implementation period of the Oklahoma Water Resources Board’s (on occasion, the “OWRB” or
“Board”) Proposed Tentative Determination of Maximum Annual Yield of Groundwater from the
Arbuckle-Simpson Groundwater Basin (“Proposed Determination”), and shows the Board as
follows:

PREFACE

The City of Ada supports the Proposed Determination of both the maximum annual yield
 (“MAY”) and the equal proportionate share (“EPS”) for the reasons that i) these values appear to be
based on solid scientific evidence resulting from OWRB’s five-year study of the Arbuckle-Simpson
Aquifer and none of the Protestants have provided any viable scientific evidence to refute the
Board’s values, ii) the Board’s values will sustain the Arbuckle-Simpson for the foreseeable future
and iii) the Board’s values will serve to ultimately protect Ada’s primary municipal water source -
Byrds Mill Spring. However, Ada opposes the proposed five-year implementation period and this
Brief will be directed to that issue.

PROPOSITION: The City of Ada projects that the proposed five-year implementation period will be insufficient time for the City to implement the Board's final Order.

BACKGROUND

Ada is a small, but growing, community located in South-central Oklahoma. Its 17,000 residents, as well as most all of the 36,000 Pontotoc County residents, depend exclusively on the Arbuckle-Simpson Aquifer for their water supply. In addition to serving its municipal residents, Ada provides water to several surrounding Rural Water Districts, and is currently serving 9,668 water meters. Its average daily usage ranges between four and eight million gallons per day (“mgd”) with peak usage increasing to as much as 12.5 mgd during the summer months. Although Ada’s primary source of water for the last one hundred years has been Byrds Mill Spring, a stream water source, it also relies heavily on groundwater from three wells in the Arbuckle-Simpson. Historically, the flow of Byrds Mill Spring has been measured as low as 3.1 mgd and as high as 18.4 mgd, and the average daily flow is about 9-10 mgd. Because the Franco-American lawsuit¹ is unresolved, Ada voluntarily allows three mgd of Byrds Mill Spring to flow downstream for the riparian users. In time of low flow, Ada supplements its primary water source with as much as 60% groundwater from its three wells. Ada currently has 7,693 acre feet of groundwater rights including 349 acre feet of Prior Rights.

Byrds Mill Spring and Ada’s groundwater wells are located approximately 12 miles South of Ada. Water flows by gravity through two water lines, one of which is quite old and badly needs replacing. Because of that and many other water related infrastructure issues, the City has commissioned an engineering study to upgrade/repair/replace/modernize much of its aging water

¹Franco-American Charolaise, LTD v. The Oklahoma Water Resources Board, 1990 OK 44, 855 P.2d 568 (Okla. 1990).

infrastructure. Although the infrastructure improvements will not only serve to modernize the City's water delivery system, it is anticipated they will likely save a substantial amount of water, which in turn, will help reduce the amount of water rights Ada will have to secure as a result of the proposed 0.20 acre feet/acre equal proportionate share. Unfortunately, these improvements will come at a considerable cost - an estimated \$24,900,000 - which, in addition to a substantial cost for obtaining additional water rights, may well impact not only the City's ability to finance both projects, but also the time it takes to do so.

PLANNING

Shortly after SB 288 was passed in 2003 and the OWRB began its study, Ada, along with the Ada Water Resources Board² ("AWRB"), began looking into a number of issues related to an anticipated reduction in the equal proportionate share. First, the City and the AWRB evaluated some alternative sources including: constructing Scissortail lake near Ada, but at an estimated cost of about \$200,000,000 it is likely not going to be an economically feasible option; in view of the cost of Scissortail lake, the City looked into partnering with other cities/users to reduce the cost; reviving long-abandoned plans for Parker Reservoir, a proposed reservoir about 30 miles from Ada; buying water from the Oklahoma City pipeline which runs near Ada; constructing artificial recharge basins on the Arbuckle-Simpson; desalinization; and, acquiring additional water rights in the Arbuckle-Simpson. After evaluating the feasibility and cost of the various options, it appears the most viable option is acquiring additional water rights by either buying the water rights, purchasing land with

²In addition to several community members, the Ada Water Resources Board is made up of eight active and/or retired employees of the Robert S. Kerr Environmental Research Laboratory, a U.S. Environmental Protection Agency facility devoted exclusively to groundwater research and located in Ada, Oklahoma. Together, these members have over 200 years of experience in various groundwater related matters and provide advice, expertise and guidance to the City of Ada on various groundwater related issues.

water rights or entering into long-term leases or some combination of these three options.

ACQUIRING WATER RIGHTS

As mentioned above, Ada currently has 7,693 acre feet ('af') of groundwater rights, including 349 acre feet of Prior Rights³, which corresponds to 6,867,877 mgd. As shown in Exhibit 1 at the first highlighted row, assuming the EPS is reduced to 0.20 acre feet/acre ("af/a"), the 7,693 af will be reduced to 1818 af and thus, will require 29,375 additional acres to match the current 7,693 af. Assuming a cost of \$300 to purchase water rights⁴, column 7 shows a one-time cost of \$8,812,500. If this amount were financed over a period of 30 years at 2.5% per year, the total cost would be \$12,631,213.80 which, based on the current 9,668 water meters, would increase the monthly per meter cost by \$3.63. Using an estimated cost of purchasing land including water rights at \$1,500 per acre, there would be a one-time cost of \$44,062,500 (column 9) to purchase 29,375 acres. The cost to finance this amount at 2.5% for 30 years would be \$63,156,068.70 and would give rise to a cost increase of \$18.15 per meter per month as shown in column 10. Lease costs, based on \$1.50/1,000 gallons, as shown in columns 11 and 12 were based on a casual remark by a landowner at a recent City Council meeting. Since that time, however, an organized group of landowners made a definitive offer to the City to lease their water rights. Accordingly, the landowner's specific terms will be used to compare the costs of the three options available to the City and the results will be discussed in detail in Exhibits 3 - 6 below.

Based on Ada's and Pontotoc County's past population growth, it is possible to project

³According to the Proposed Determination at Tentative Findings, ¶ 8(a), prior rights will not be reduced by the EPS.

⁴This cost is based on expert advice as well as Ada is currently in the process of purchasing water rights at \$300 per acre.

Ada's approximate water needs in 2050. Assuming a projected increase of 30.6% in population over the next 38 years, the City will need to acquire something in the range of 41,142 additional acres of groundwater rights as shown in the second highlighted row in Exhibit 1. Using a similar analysis as described above, buying water rights will cost \$12,342,464 with an increased cost per meter per month of \$5.08 as shown in columns 7 and 8, and buying land with water rights will cost \$61,712,322 with an increased monthly meter cost of \$25.42 as shown in columns 9 and 10. As noted before, these are one-time costs to the City.

On April 23, 2012, Kelly Hurt⁵, as Agent for the Arbuckle Simpson Landowners Group ("ASLG" or "Landowners"), made a written offer on behalf of the Landowners to lease approximately 25,000 acres of groundwater rights to the City of Ada. Exhibit 2. According to the terms of this offer, the cost per 1000 gal would start at \$0.25 for the first year and increase by \$0.25 each year for each of the next three years. The fourth year would serve as the base rate at \$1.00, and a cumulative Consumer Price Index ("CPI") would apply to subsequent years. Further, Mr. Hurt suggested a term of 30 years and indicated that this is a "Take or Pay" lease and requires full payment regardless of whether or not the water is used.

Instead of providing a realistic example of what the City would pay for the 25,000 acres for

⁵It is worth noting that Mr. Hurt was a member of the Ada Water Resources Board for several years and, in fact, he recently served as its president. As it turns out, he appeared before the Ada City Council trying to convince the Council that it was in the City's best interest to lease water rights from the Landowners when a Council member pointed out that he had a conflict of interest by representing both the AWRB (especially as President) and the Landowners. Mr. Hurt immediately resigned from the AWRB, but continued to represent the Landowners, and is currently doing so. It appears that Mr. Hurt either fails to recognize that he still has an ongoing conflict of interest or the prospect of a huge multi-million dollar commission as a result of leasing water rights obscures all ethical considerations. Since resigning from the AWRB, Mr. Hurt has been continually critical of the City by first, on 12/10/2011, writing a letter to the editor of the Ada Evening News chastising the City for not trying to get a greater EPS than 0.20 af/a. Exhibit 7. Further, he was extremely critical of the City on a number of issues when he spoke at both the Prehearing Conference on 5/9/2012 and the Hearing on 5/15/2012. What is even more surprising is that despite the open criticism, Mr. Hurt is still actively trying to lease water rights to the City of Ada - this hardly seems like a useful tactic to insure a sale.

30 years, the Landowners merely show what 10,000 acres would cost for four years and the resulting monthly meter cost assuming 10,000 meters. Exhibit 2. In order to provide more realistic numbers for comparison with buying water rights and land, Exhibits 3, 4 and 5 are based on the Landowners basic terms and summarized in Exhibit 6. Confirmation of the Landowner's numbers for 10,000 acres for the first four years are shown in the first four lines in Exhibit 3. To extend their example to 25,000 acres for the proposed 30 years, an increasing CPI of 4.04615%⁶ per year and the actual number of water meters, 9,668, were used in Exhibit 3. Keeping the 25,000 acres constant throughout the 30-year period in column 3 gives 5,000 af/a at 0.20 EPS in column 4. Dividing the gallons per year in column 5 by 1000 and multiplying times the increasing CPI value in column 6 gives the annual cost to Ada in column 7. Dividing the annual cost in column 7 by the number of meters in column 8 (increasing annually from 9,668 to the projected 12,625 in 2050) gives a per meter per month cost in column 9.

Because leasing costs continue to accrue each year, the critical cost for comparison of the one-time cost for buying water rights or land is, of course, not the annual leasing cost, but rather the cumulative cost as shown in column 10. The approximate break even point for the one-time cost of buying water rights at \$300 per acre when compared with leasing costs over a 30-year period occurs in the sixth year as shown in column 11 and is over 10 times⁷ the cost of leasing and increasing annually. A similar cost comparison for buying land at \$1,500 per acre occurs in nineteenth year and the cost of leasing is about twice the cost of buying land (see, Note 7 below).

⁶ Obtained online from the Bureau of Labor Statistics using the average inflation rate for the period from 1960 to 2011.

⁷ The cost of buying 25,000 acres of water rights, \$7499,956, is shown in Exhibit 1 in column 7 just above the first highlighted row.

As before, leasing costs will continue to increase annually.

Exhibit 4 is similar to Exhibit 3, but shows the costs for 29,375 acres, the actual number of acres needed to match Ada's current groundwater rights. Similar break even points are highlighted on Exhibit 4 and the resulting ratios are about the same as before - 10 times for buying water rights and twice for buying land. Again, unlike the one-time costs for purchasing either water rights or land, the cumulative cost of \$93,624.392 cost of leasing for 30 years continues to increase annually.

Exhibit 5 is much like Exhibits 3 and 4 except the number of additional acres needed starts out at 25,000 and gradually increases to the projected 41,142, as shown in column 3, the number of acres that need to be acquired to produce the projected amount of groundwater in 2050. This results in cumulative leasing costs of \$171,009,232⁸ which in turn increases the ratios when comparing the cost of buying either water rights or land to about 14 and 3 times respectively. As before, the cumulative cost to Ada will continue to increase as the lease goes beyond 2050. Exhibit 6 simply summarizes for comparison the various pertinent costs in Exhibits 3, 4 and 5.

FINANCING/APPROVALS

In addition to financing the acquisition of additional water rights, the City will also be simultaneously financing, about \$25,000,000 to upgrade its water-related infrastructure. While there are a number of different financing options available, at this time it is not clear which option is best for Ada and whether there will be substantial time delays because of having to finance both projects at about the same time. Likewise, the City anticipates that once whatever choice(s) are made there will necessarily have to be approvals from either the City Council and/or the citizens of Ada.

⁸A similar cost of \$180-200,000,000 for the cost of building Scissortail lake appeared to be not economic feasible without additional partners.

Traditionally, such approvals are time consuming and could substantially delay the ability to timely acquire the necessary water rights within the proposed five-year implementation period.

TIME TO ACQUIRE ADDITIONAL WATER RIGHTS

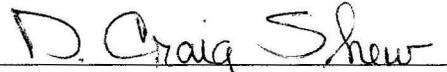
Some, including the Landowners, are suggesting that the implementation period should be immediate. Undoubtedly, such a choice would be catastrophic for the City as it would force the City to lease water rights at a cost it simply could not afford.⁹ More likely, the City will have to find a way to either purchase the water rights, which it is currently doing, or buying land with water rights. Even though buying land appears to be five times more expensive than simply buying water rights, there are several options available, including reselling the land less the water rights and leasing the land for pasture among others, which could substantially reduce the cost of this option. Regardless of either choice, and aside from the time needed for additional planning, to arrange financing and to secure the necessary approvals, the City anticipates it will take considerably longer than the proposed five years because even though the City plans to aggressively pursue these options, it is impossible to predict when enough land or water rights will become available.

Initially, Ada joined with CPASA in recommending a 20-year implementation period and it would still urge such a time period be adopted. Instead, the Board proposed a five-year implementation period with a proposed “show cause provision” in the event more time were needed. Of course, this and possibly multiple show cause hearings will only increase the already substantial time and costs to not only Ada and other users, but the Board as well.

⁹Referring to leasing costs in Exhibit 2, Mr. Hurt notes that “[i]t is hard to imagine a more affordable alternative for the city’s water users.” Either Mr. Hurt has no imagination or he is unable to compute the cost of leasing water rights beyond four years.

WHEREFORE, the City of Ada urges the Board to adopt a period of time greater than five years to implement the final Order.

Respectfully submitted



D. Craig Shew, OBA # 10608

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Attorney for The City of Ada

CERTIFICATE OF SERVICE

I, D. Craig Shew, do hereby certify that on the 31st day of May, 2012, true and correct copies of The City of Ada's Brief in Opposition to the Five-Year Implementation Period of the Proposed Tentative Determination of Maximum Annual Yield of Groundwater from the Arbuckle-Simpson Groundwater Basin were mailed with pre-paid, first-class postage, to each and every party listed by the Oklahoma Water Resources Board as Formal Parties in the Hearing-Mailing List Part 1, e-mailed to the parties on the Arbuckle-Simpson Maximum Annual Yield Email List, and hand delivered to the OWRB.

COST OF WATER RIGHTS VS. COST OF LAND VS. COST OF LEASE

Column #1	2	3	4	5	6	7	8	9	10	11	12	13
mgd	=af/day	=af/year	CURRENT AF @ 0.20 EPS	ADDITIONAL ACRES NEEDED		COST TO PURCHASE WATER RIGHTS	INCREASED COST PER METER/MONTH	COST TO PURCHASE LAND	INCREASED COST PER METER/MONTH	COST FOR LEASE PER YEAR	INCREASED COST PER METER/MONTH	NOTES
			1,818			\$300	\$3.63	\$1,500	\$18.15	\$1.50	9,668	
						/ACRE	\$8,812,500	/ACRE	\$44,062,500	/1000 GAL	METERS	
2,000,000	6.14	2,240	1,818	2,111		\$633,427	\$0.26	\$3,167,136	\$1.30	\$206,403	\$1.82	
3,000,000	9.21	3,360	1,818	7,712		\$2,313,641	\$0.95	\$11,568,204	\$4.77	\$753,903	\$6.66	
4,000,000	12.28	4,481	1,818	13,313		\$3,993,854	\$1.65	\$19,969,272	\$8.23	\$1,301,403	\$11.50	
5,000,000	15.34	5,601	1,818	18,914		\$5,674,068	\$2.34	\$28,370,340	\$11.69	\$1,848,903	\$16.34	
6,000,000	18.41	6,721	1,818	24,514		\$7,354,282	\$3.03	\$36,771,408	\$15.15	\$2,396,403	\$21.17	
6,086,700	18.68	6,818	1,818	25,000		\$7,499,956	\$3.09	\$37,499,780	\$15.45	\$2,443,871	\$21.59	
6,867,877	21.08	7,693	1,818	29,375		\$8,812,500	\$3.63	\$44,062,500	\$18.15	\$2,871,566	\$25.37	current ground water rights
7,000,000	21.48	7,841	1,818	30,115		\$9,034,495	\$3.72	\$45,172,476	\$18.61	\$2,943,903	\$26.01	
8,000,000	24.55	8,961	1,818	35,716		\$10,714,709	\$4.41	\$53,573,543	\$22.07	\$3,491,403	\$30.85	
8,968,779	27.52	10,046	1,818	41,142		\$12,342,464	\$5.08	\$61,712,322	\$25.42	\$4,021,810	\$35.53	2050 projection
9,000,000	27.62	10,081	1,818	41,316		\$12,394,922	\$5.11	\$61,974,611	\$25.53	\$4,038,903	\$35.68	
10,000,000	30.69	11,201	1,818	46,917		\$14,075,136	\$5.80	\$70,375,679	\$28.99	\$4,586,403	\$40.52	
11,000,000	33.76	12,322	1,818	52,518		\$15,755,349	\$6.49	\$78,776,747	\$32.45	\$5,133,903	\$45.36	
12,000,000	36.83	13,442	1,818	58,119		\$17,435,563	\$7.18	\$87,177,815	\$35.91	\$5,681,403	\$50.20	
13,000,000	39.90	14,562	1,818	63,719		\$19,115,777	\$7.87	\$95,578,883	\$39.37	\$6,228,903	\$55.03	
14,000,000	42.96	15,682	1,818	69,320		\$20,795,990	\$8.57	\$103,979,951	\$42.83	\$6,776,403	\$59.87	

PRINT DATE 05/14/12

CITY OF ADA: EXHIBIT 1

April 23, 2012

Dick Scalf

City of Ada, OK

231 Townsend Street

Ada, OK 74820

Dear Mr. Scalf,

The Arbuckle Simpson Landowners Group (ASLG) wishes to inform the Ada City Council that groundwater associated with approximately 25,000 acres of the Byrd's Mill Recharge Area is now being offered for lease under the following terms:

1st Year – \$0.25/1000 gallons

2nd Year - \$0.50/1000 gallons

3rd Year - \$0.75/1000 gallons

4th Year - \$1.00/1000 gallons

Subsequent Years – the rate of the 4th year will serve as the base rate of the lease with a cumulative, annual inflation rate applied to subsequent years. The annual inflation rate will be equal to the Consumer Price Index (CPI).

Based on these rates and assuming a lease for 10,000 acres with the cost spread over 10,000 water taps, the average increase per tap per month would equal:

1st Year – \$1.36/month

2nd Year – \$2.72/month

3rd Year – \$4.08/month

4th Year – \$5.44/month

These rate increases reflect the cost to lease enough groundwater to cover potential permit shortfalls. It is hard to imagine a more affordable alternative for the city's water users.

It is understood that the City of Ada may desire to lease a different amount than cited in this scenario. As such, offers for other quantities are welcomed. The lease offered is a "Take or Pay" type and will require full payment regardless of whether the water is used or not. The duration of the lease is negotiable; however, ASLG prefers a longer term, such as 30 years. Options for lease extensions will also be entertained by ASLG. Although this offer is being presented to the City of Ada first, it will be presented to multiple municipalities, mining operations, oil and gas producers, rural water districts, water bottlers and investors seeking water holdings upon implementation of S.B. 288.

We encourage the City of Ada to see the wisdom in securing the recharge to Byrd's Mill Spring. In addition, the ASLG is also willing to consider negotiating an agreement to construct and operate a new pipeline that would extend from an Arbuckle Simpson well(s) just outside of the recharge area. This would allow the city to address both infrastructure and resource needs and avoid impacting the flow of Byrd's Mill Spring when using groundwater.

The ASLG wishes to be a good faith partner with the City of Ada. We all stand to gain more by working together than by continuing the past decade of legislative and legal battles. It is time to put aside personal and ideological disputes and find common ground that works for both the City of Ada and local landowners.

Sincerely,



Kelly Hurt, Ph.D.

Marketing Agent

Arbuckle Simpson Landowners Group

P.O. Box 299

Allen, OK 74825

(580) 421-7512

cc'd:

Matt Layton

Shane Sweeney

Greg McCourtney

Darrell Nemecek

CITY OF ADA: EXHIBIT 2

COST OF LEASING WATER FROM THE ARBUCKLE - SIMPSON LANDOWNER'S GROUP

Column #1	2	3	4	5	6	7	8	9	10	11
YEAR #	YEAR DATE	ADDITIONAL ACRES NEEDED	ACRE FEET @ 0.20 EPS	GALLONS PER YEAR	CPI	COST TO ADA PER YEAR	NUMBER OF WATER METERS	COST PER METER PER MONTH	CUMULATIVE COST TO ADA	NOTES
		25,000	0.20		1st year =	\$0.25	1.007239	9,668		
		1.00000			2nd year =	\$0.50		METERS		
					3rd year =	\$0.75				
					4th year =	\$1.00				
					CPI 1960-2011	1.0404615				

Arbuckle-Simpson Landowners Group's Offer to Lease Example:

1	10,000	2,000	651,702,860	162,926	\$1.36
2	10,000	2,000	651,702,860	325,851	\$2.72
3	10,000	2,000	651,702,860	488,777	\$4.07
4	10,000	2,000	651,702,860	651,703	\$5.43

Cost of leasing water rights per the Arbuckle-Simpson Landowners Group's proposed terms:

1	2013	25,000	5,000	1,629,257,150	0.25	\$407,314	9,668	\$3.51	\$407,314	
2	2014	25,000	5,000	1,629,257,150	0.50	\$814,629	9,738	\$6.97	\$1,221,943	
3	2015	25,000	5,000	1,629,257,150	0.75	\$1,221,943	9,808	\$10.38	\$2,443,886	
4	2016	25,000	5,000	1,629,257,150	1.00	\$1,629,257	9,879	\$13.74	\$4,073,143	
5	2017	25,000	5,000	1,629,257,150	1.04046	\$1,695,179	9,951	\$14.20	\$5,768,322	
6	2018	25,000	5,000	1,629,257,150	1.08256	\$1,763,769	10,023	\$14.66	\$7,532,091	*1 - water rights
7	2019	25,000	5,000	1,629,257,150	1.12636	\$1,835,134	10,096	\$15.15	\$9,367,225	
8	2020	25,000	5,000	1,629,257,150	1.17194	\$1,909,386	10,169	\$15.65	\$11,276,611	
9	2021	25,000	5,000	1,629,257,150	1.21935	\$1,986,643	10,242	\$16.16	\$13,263,254	
10	2022	25,000	5,000	1,629,257,150	1.26869	\$2,067,025	10,316	\$16.70	\$15,330,279	
11	2023	25,000	5,000	1,629,257,150	1.32003	\$2,150,660	10,391	\$17.25	\$17,480,940	
12	2024	25,000	5,000	1,629,257,150	1.37344	\$2,237,679	10,466	\$17.82	\$19,718,619	
13	2025	25,000	5,000	1,629,257,150	1.42901	\$2,328,219	10,542	\$18.40	\$22,046,839	
14	2026	25,000	5,000	1,629,257,150	1.48683	\$2,422,423	10,618	\$19.01	\$24,469,262	
15	2027	25,000	5,000	1,629,257,150	1.54699	\$2,520,438	10,695	\$19.64	\$26,989,699	
16	2028	25,000	5,000	1,629,257,150	1.60958	\$2,622,419	10,773	\$20.29	\$29,612,118	
17	2029	25,000	5,000	1,629,257,150	1.67471	\$2,728,526	10,851	\$20.96	\$32,340,643	
18	2030	25,000	5,000	1,629,257,150	1.74247	\$2,838,926	10,929	\$21.65	\$35,179,569	
19	2031	25,000	5,000	1,629,257,150	1.81297	\$2,953,793	11,008	\$22.36	\$38,133,363	*2 - land purchase
20	2032	25,000	5,000	1,629,257,150	1.88632	\$3,073,308	11,088	\$23.10	\$41,206,671	
21	2033	25,000	5,000	1,629,257,150	1.96265	\$3,197,659	11,168	\$23.86	\$44,404,330	
22	2034	25,000	5,000	1,629,257,150	2.04206	\$3,327,041	11,249	\$24.65	\$47,731,371	
23	2035	25,000	5,000	1,629,257,150	2.12469	\$3,461,658	11,331	\$25.46	\$51,193,030	
24	2036	25,000	5,000	1,629,257,150	2.21065	\$3,601,723	11,413	\$26.30	\$54,794,752	
25	2037	25,000	5,000	1,629,257,150	2.30010	\$3,747,454	11,495	\$27.17	\$58,542,206	
26	2038	25,000	5,000	1,629,257,150	2.39317	\$3,899,082	11,578	\$28.06	\$62,441,288	
27	2039	25,000	5,000	1,629,257,150	2.49000	\$4,056,844	11,662	\$28.99	\$66,498,132	
28	2040	25,000	5,000	1,629,257,150	2.59075	\$4,220,991	11,747	\$29.94	\$70,719,122	
29	2041	25,000	5,000	1,629,257,150	2.69557	\$4,391,778	11,832	\$30.93	\$75,110,901	
30	2042	25,000	5,000	1,629,257,150	2.80464	\$4,569,476	11,917	\$31.95	\$79,680,377	30 years per lease terms
31	2043	25,000	5,000	1,629,257,150	2.91812	\$4,754,364	12,004	\$33.01	\$84,434,742	
32	2044	25,000	5,000	1,629,257,150	3.03619	\$4,946,733	12,091	\$34.10	\$89,381,475	
33	2045	25,000	5,000	1,629,257,150	3.15904	\$5,146,886	12,178	\$35.22	\$94,528,361	
34	2046	25,000	5,000	1,629,257,150	3.28686	\$5,355,137	12,266	\$36.38	\$99,883,497	
35	2047	25,000	5,000	1,629,257,150	3.41985	\$5,571,814	12,355	\$37.58	\$105,455,311	
36	2048	25,000	5,000	1,629,257,150	3.55822	\$5,797,258	12,444	\$38.82	\$111,252,569	
37	2049	25,000	5,000	1,629,257,150	3.70219	\$6,031,824	12,535	\$40.10	\$117,284,393	
38	2050	25,000	5,000	1,629,257,150	3.85199	\$6,275,881	12,625	\$41.42	\$123,560,274	

*1 - Approximate break even point for buying ground water rights @ \$300/acre

*2 - Approximate break even point for buying land @ \$1,500/acre

PRINT DATE 05/26/12

COST OF LEASING WATER FROM THE ARBUCKLE - SIMPSON LANDOWNER'S GROUP

Column #1	2	3	4	5	6	7	8	9	10	11
YEAR #	YEAR DATE	ADDITIONAL ACRES NEEDED	ACRE FEET @ 0.20 EPS	GALLONS PER YEAR	CPI	COST TO ADA PER YEAR	NUMBER OF WATER METERS	COST PER METER PER MONTH	CUMULATIVE COST TO ADA	NOTES
		29,375	0.20		1st year =	\$0.25	1,007,239	9,668		
		1.00000			2nd year =	\$0.50		METERS		
					3rd year =	\$0.75				
					4th year =	\$1.00				
					CPI 1960-2011	1.0404615				

Arbuckle-Simpson Landowners Group Offer to Lease Example:

1	10,000	2,000	651,702,860	\$0.25	162,926	\$1.36
2	10,000	2,000	651,702,860	\$0.50	325,851	\$2.72
3	10,000	2,000	651,702,860	\$0.75	488,777	\$4.07
4	10,000	2,000	651,702,860	\$1.00	651,703	\$5.43

Using 29,375 acres or 5,875 acre feet, the # of additional acre feet needed to get to Ada's current ground water rights of 7,693 acre feet:

1	2013	29,375	5,875	1,914,377,151	0.25	\$478,594	9,668	\$4.13	\$478,594	
2	2014	29,375	5,875	1,914,377,151	0.50	\$957,189	9,738	\$8.19	\$1,435,783	
3	2015	29,375	5,875	1,914,377,151	0.75	\$1,435,783	9,808	\$12.20	\$2,871,566	
4	2016	29,375	5,875	1,914,377,151	1.00	\$1,914,377	9,879	\$16.15	\$4,785,943	
5	2017	29,375	5,875	1,914,377,151	1.04046	\$1,991,836	9,951	\$16.68	\$6,777,779	
6	2018	29,375	5,875	1,914,377,151	1.08256	\$2,072,428	10,023	\$17.23	\$8,850,207	*1 - water rights
7	2019	29,375	5,875	1,914,377,151	1.12636	\$2,156,282	10,096	\$17.80	\$11,006,489	
8	2020	29,375	5,875	1,914,377,151	1.17194	\$2,243,528	10,169	\$18.39	\$13,250,017	
9	2021	29,375	5,875	1,914,377,151	1.21935	\$2,334,305	10,242	\$18.99	\$15,584,322	
10	2022	29,375	5,875	1,914,377,151	1.26869	\$2,428,754	10,316	\$19.62	\$18,013,076	
11	2023	29,375	5,875	1,914,377,151	1.32002	\$2,527,025	10,391	\$20.27	\$20,540,102	
12	2024	29,375	5,875	1,914,377,151	1.37344	\$2,629,273	10,466	\$20.93	\$23,169,375	
13	2025	29,375	5,875	1,914,377,151	1.42901	\$2,735,657	10,542	\$21.62	\$25,905,031	
14	2026	29,375	5,875	1,914,377,151	1.48683	\$2,846,346	10,618	\$22.34	\$28,751,377	
15	2027	29,375	5,875	1,914,377,151	1.54699	\$2,961,513	10,695	\$23.07	\$31,712,890	
16	2028	29,375	5,875	1,914,377,151	1.60958	\$3,081,340	10,773	\$23.84	\$34,794,231	
17	2029	29,375	5,875	1,914,377,151	1.67470	\$3,206,016	10,851	\$24.62	\$38,000,247	
18	2030	29,375	5,875	1,914,377,151	1.74247	\$3,335,736	10,929	\$25.43	\$41,335,983	
19	2031	29,375	5,875	1,914,377,151	1.81297	\$3,470,705	11,008	\$26.27	\$44,806,688	*2 - land purchase
20	2032	29,375	5,875	1,914,377,151	1.88632	\$3,611,135	11,088	\$27.14	\$48,417,823	
21	2033	29,375	5,875	1,914,377,151	1.96265	\$3,757,247	11,168	\$28.04	\$52,175,070	
22	2034	29,375	5,875	1,914,377,151	2.04206	\$3,909,271	11,249	\$28.96	\$56,084,341	
23	2035	29,375	5,875	1,914,377,151	2.12468	\$4,067,446	11,331	\$29.91	\$60,151,787	
24	2036	29,375	5,875	1,914,377,151	2.21065	\$4,232,021	11,413	\$30.90	\$64,383,808	
25	2037	29,375	5,875	1,914,377,151	2.30010	\$4,403,255	11,495	\$31.92	\$68,787,063	
26	2038	29,375	5,875	1,914,377,151	2.39316	\$4,581,417	11,578	\$32.97	\$73,368,480	
27	2039	29,375	5,875	1,914,377,151	2.48999	\$4,766,788	11,662	\$34.06	\$78,135,268	
28	2040	29,375	5,875	1,914,377,151	2.59074	\$4,959,659	11,747	\$35.18	\$83,094,927	
29	2041	29,375	5,875	1,914,377,151	2.69557	\$5,160,335	11,832	\$36.35	\$88,255,262	
30	2042	29,375	5,875	1,914,377,151	2.80464	\$5,369,130	11,917	\$37.54	\$93,624,392	30 year lease
31	2043	29,375	5,875	1,914,377,151	2.91811	\$5,586,373	12,004	\$38.78	\$99,210,764	
32	2044	29,375	5,875	1,914,377,151	3.03619	\$5,812,406	12,091	\$40.06	\$105,023,170	
33	2045	29,375	5,875	1,914,377,151	3.15903	\$6,047,584	12,178	\$41.38	\$111,070,754	
34	2046	29,375	5,875	1,914,377,151	3.28685	\$6,292,279	12,266	\$42.75	\$117,363,033	
35	2047	29,375	5,875	1,914,377,151	3.41985	\$6,546,874	12,355	\$44.16	\$123,909,906	
36	2048	29,375	5,875	1,914,377,151	3.55822	\$6,811,770	12,444	\$45.61	\$130,721,676	
37	2049	29,375	5,875	1,914,377,151	3.70219	\$7,087,384	12,535	\$47.12	\$137,809,061	
38	2050	29,375	5,875	1,914,377,151	3.85198	\$7,374,151	12,625	\$48.67	\$145,183,211	

*1 - Approximate break even point for buying ground water rights @ \$300/acre

PRINT DATE 05/26/12

*2 - Approximate break even point for buying land @ \$1,500/acre

COST OF LEASING WATER FROM THE ARBUCKLE - SIMPSON LANDOWNER'S GROUP

Column #1	2	3	4	5	6	7	8	9	10	11
YEAR #	YEAR DATE	ADDITIONAL ACRES NEEDED	ACRE FEET @ 0.20 EPS	GALLONS PER YEAR	CPI	COST TO ADA PER YEAR	NUMBER OF WATER METERS	COST PER METER PER MONTH	CUMULATIVE COST TO ADA	NOTES
		25,000	0.20		1st year =	\$0.25	1.007239	9,668		
		1.0135549			2nd year =	\$0.50		METERS		
					3rd year =	\$0.75				
					4th year =	\$1.00				
					CPI 1960-2011	1.0404615				

Arbuckle-Simpson Landowners Group's Offer to Lease Example:

1	10,000	2,000	651,702,860	162,926	\$1.36
2	10,000	2,000	651,702,860	325,851	\$2.72
3	10,000	2,000	651,702,860	488,777	\$4.07
4	10,000	2,000	651,702,860	651,703	\$5.43

Beginning with 25,000 acres and increasing to 41,142 acres, the number of acres needed to reach the projected 2050 value:

1	2013	25,000	5,000	1,629,257,150	0.25	\$407,314	9,668	\$3.51	\$407,314	
2	2014	25,339	5,068	1,651,341,568	0.50	\$825,671	9,738	\$7.07	\$1,232,985	
3	2015	25,682	5,136	1,673,725,338	0.75	\$1,255,294	9,808	\$10.67	\$2,488,279	
4	2016	26,030	5,206	1,696,412,517	1.00	\$1,696,413	9,879	\$14.31	\$4,184,692	
5	2017	26,383	5,277	1,719,407,219	1.04046	\$1,788,977	9,951	\$14.98	\$5,973,669	
6	2018	26,741	5,348	1,742,713,612	1.08256	\$1,886,592	10,023	\$15.69	\$7,860,261	
7	2019	27,103	5,421	1,766,335,921	1.12636	\$1,989,534	10,096	\$16.42	\$9,849,795	
8	2020	27,471	5,494	1,790,278,428	1.17194	\$2,098,093	10,169	\$17.19	\$11,947,888	*1 - water rights
9	2021	27,843	5,569	1,814,545,473	1.21935	\$2,212,575	10,242	\$18.00	\$14,160,463	
10	2022	28,221	5,644	1,839,141,455	1.26869	\$2,333,304	10,316	\$18.85	\$16,493,767	
11	2023	28,603	5,721	1,864,070,834	1.32003	\$2,460,620	10,391	\$19.73	\$18,954,388	
12	2024	28,991	5,798	1,889,338,127	1.37344	\$2,594,884	10,466	\$20.66	\$21,549,271	
13	2025	29,384	5,877	1,914,947,917	1.42901	\$2,736,473	10,542	\$21.63	\$24,285,745	
14	2026	29,782	5,956	1,940,904,844	1.48683	\$2,885,789	10,618	\$22.65	\$27,171,534	
15	2027	30,186	6,037	1,967,213,615	1.54699	\$3,043,252	10,695	\$23.71	\$30,214,785	
16	2028	30,595	6,119	1,993,878,999	1.60958	\$3,209,306	10,773	\$24.83	\$33,424,092	
17	2029	31,010	6,202	2,020,905,830	1.67471	\$3,384,422	10,851	\$25.99	\$36,808,513	
18	2030	31,430	6,286	2,048,299,006	1.74247	\$3,569,092	10,929	\$27.21	\$40,377,606	
19	2031	31,856	6,371	2,076,063,494	1.81297	\$3,763,839	11,008	\$28.49	\$44,141,445	
20	2032	32,288	6,458	2,104,204,327	1.88632	\$3,969,213	11,088	\$29.83	\$48,110,658	
21	2033	32,725	6,545	2,132,726,607	1.96265	\$4,185,793	11,168	\$31.23	\$52,296,451	
22	2034	33,169	6,634	2,161,635,502	2.04206	\$4,414,190	11,249	\$32.70	\$56,710,641	
23	2035	33,619	6,724	2,190,936,255	2.12469	\$4,655,050	11,331	\$34.24	\$61,365,691	*2 - land purchase
24	2036	34,074	6,815	2,220,634,177	2.21065	\$4,909,052	11,413	\$35.85	\$66,274,743	
25	2037	34,536	6,907	2,250,734,652	2.30010	\$5,176,914	11,495	\$37.53	\$71,451,657	
26	2038	35,004	7,001	2,281,243,135	2.39317	\$5,459,392	11,578	\$39.29	\$76,911,048	
27	2039	35,479	7,096	2,312,165,157	2.49000	\$5,757,283	11,662	\$41.14	\$82,668,331	
28	2040	35,960	7,192	2,343,506,325	2.59075	\$6,071,428	11,747	\$43.07	\$88,739,759	
29	2041	36,447	7,289	2,375,272,319	2.69557	\$6,402,715	11,832	\$45.10	\$95,142,474	
30	2042	36,941	7,388	2,407,468,897	2.80464	\$6,752,079	11,917	\$47.21	\$101,894,553	
31	2043	37,442	7,488	2,440,101,897	2.91812	\$7,120,505	12,004	\$49.43	\$109,015,058	
32	2044	37,949	7,590	2,473,177,235	3.03619	\$7,509,035	12,091	\$51.76	\$116,524,092	
33	2045	38,464	7,693	2,506,700,905	3.15904	\$7,918,764	12,178	\$54.19	\$124,442,857	
34	2046	38,985	7,797	2,540,678,985	3.28686	\$8,350,851	12,266	\$56.73	\$132,793,707	
35	2047	39,514	7,903	2,575,117,634	3.41985	\$8,806,514	12,355	\$59.40	\$141,600,221	
36	2048	40,049	8,010	2,610,023,096	3.55822	\$9,287,040	12,444	\$62.19	\$150,887,262	
37	2049	40,592	8,118	2,645,401,699	3.70219	\$9,793,787	12,535	\$65.11	\$160,681,048	
38	2050	41,142	8,228	2,681,259,854	3.85199	\$10,328,184	12,625	\$68.17	\$171,009,232	2050 projection

*1 - Approximate break even point for buying ground water rights @ \$300/acre

*2 - Approximate break even point for buying land @ \$1,500/acre

PRINT DATE 05/26/12

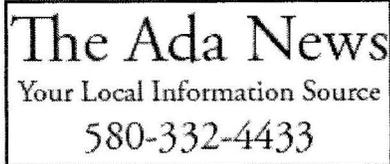
S U M M A R Y:

COST OF BUYING WATER RIGHTS VS. BUYING LAND VS. LEASING WATER RIGHTS

OPTIONS	25,000 ACRES	29, 375 ACRES	41,142 ACRES
1. BUYING WATER RIGHTS AT \$300/ACRE -- one-time cost	\$7,499,956	\$8,812,500	\$12,342,464
2. BUYING LAND WITH WATER RIGHTS AT \$1,500/ACRE -- one-time cost	\$37,499,780	\$44,062,500	\$61,712,322
3. LEASING WATER RIGHTS ON THE TERMS OFFERED -- cumulative cost and increasing annually	\$79,680,377 (30-year lease)	\$93,624,392 (30-year lease)	\$171,009,232 (38-year lease)

CITY OF ADA: EXHIBIT 6

December 10, 2011



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Future water needs of Ada concern expert **(<http://theadanews.com/letters/x1561647199/Future-water-needs-of-Ada-concern-expert>)**

The Ada News (<http://theadanews.com>)

Ada —

Editor, The Ada News:

Water is essential for the sustainability and growth of any city. Accordingly, most water planners and city leaders are constantly working to maximize existing water resources and seek new supplies. Simply enough they look for more water and ways to reduce the cost of that water. That's why the city council's vote on December 5, 2011 to support CPASA's proposed implementation of Senate Bill 288 thoroughly baffles me.

Let's start with the basics. This proposed implementation reduces Ada's ground water rights by 80 percent. While it is likely that Ada's water rights would have been reduced in almost any implementation scenario, why would city leaders support a reduction in water rights to this level when the state might have given Ada more if they simply awaited the decision? If Ada was going to lobby for anything, wouldn't it have made sense to lobby for a larger amount of water and then negotiate down, if necessary? Why give up so much without a fight? I can understand why the other supporters of this implementation plan (Ardmore, Durant, Tishomingo, etc) were excited, they use surface water and this implementation plan affects ground water only. I suspect the rest of the cities are quietly thankful that Ada conceded its water rights so that the water could freely flow downstream in their direction.

Even more baffling to me is Ada would support an implementation that requires a mitigation plan. It is one thing to support conservation, monitoring and planning mandates in the proposed plan, however, it is quite another to mandate that Ada somehow mitigate its water withdrawals, perhaps by putting water back into the aquifer. Again, this is something that Ada could have had the option to do, but by supporting this implementation plan, they are now saying that they think mitigation plans should be required. Worse yet, the proposed implementation plan doesn't ask for funding to help pay for these additional requirements. Why give up so much before the negotiating even starts? On the surface, it at least appears as though Ada made a shrewd move by advocating for a gradual reduction of water rights over a 20-year period. The thinking is that a longer time frame gives Ada more time to negotiate and acquire additional water to make up for the water rights conceded. My thinking is that it gives Ada a false sense of security while other users of water materialize and acquire more and more of the available water rights. Think about it this way, if this implementation plan is adopted then, over a period of time, water rights will be reduced from 2 acre-feet to 0.2 acre-feet. That means that everyone in the area just lost 90 percent of their water supplies. That means increased competition for the remaining 10 percent. In the meantime, mining operations are expanding and an Exxon subsidiary, XTO, has moved in on the southwest flank of the aquifer and started drilling gas wells in the Woodford Shale.

The rumor is that they will drill thousands of wells that each require millions of gallons of water to hydraulically fracture. The mines keep expanding and likely will do so as long as the material holds out and the trains keep running to Dallas. Time may prove me wrong, but I think the drastic reduction in water rights along with the growth and addition of major water users in the area will do nothing but increase the demand for and price of water.

I just don't understand why Ada would have supported something where it gave up so much while competing communities benefited greatly. Again, the only community that this proposed plan negatively impacts is Ada because the rest of the communities don't use ground water. Why wouldn't the other cities support something that limits Ada's water supplies and has no negative impact on their own?

The one thing I know is that there is no more free water. Any water Ada gets from here on will cost more than it ever has in the past. With each passing day, the price keeps going up, just like everything else we buy. It just leaves me to wonder how long the City of Ada will voluntarily relinquish water rights before it gets serious about leasing or buying replacement water rights. How close to the edge will Ada get before reality sinks in?

Kelly Hurt, Ph.D.

Marketing Agent for Arbuckle Simpson Landowners Group

Immediate Past Chairman of Ada Water Resources Board

Former Board Member of CPASA

theadanews.com - Ada, Oklahoma 116 North Broadway Ada, OK 74820

CITY OF ADA: EXHIBIT 7