

WATER RIGHTS — DEEP DIVE & 10-20 YEAR VALUE THESIS

Basecamp Trinidad · 2 Chilili Ditch shares (senior 1862 priority) · Prepared 2026-07-06 · All figures illustrative and directional, not an appraisal.

1. WHAT WE ACTUALLY OWN (AND WHY THE WORDING MATTERS)

- **Type:** mutual ditch company shares — not a raw decreed right, not a Colorado-Big Thompson (C-BT) unit. Value is set by the share's **historical consumptive use (CU)**, quantified in water court, not by the nominal allocation.
- **Priority:** 1862 — senior. In a “first in time, first in right” basin, an 1862 date is close to the top of the stack. Senior rights are the ones that still get water in a drought when junior rights get shut off. This is the single most valuable attribute we hold.
- **Basin:** Purgatoire, a tributary within the greater Arkansas system — officially over-appropriated. No meaningful new supply is available; demand is met only by moving existing rights. That structural scarcity is the appreciation thesis in one sentence.
- **Constraint to verify at title:** some deeds stipulate water cannot be sold separately from the land, or must stay within a parcel/boundary. Our shares are described as conveying and being signed over at closing, which is consistent with transferable shares — but the deed language and the ditch company's transfer rules must be confirmed. This is a diligence item, not an assumption.

2. THE MACRO THESIS — WHY THE NUMBER SHOULD RISE

The scarcity story is not speculative; it is arithmetic playing out in real transactions:

- **Over-allocation is baked in.** The 1922 Colorado River Compact and the state's basin decrees allocate more water than the system reliably delivers; the Arkansas basin imports Western-Slope water and is already fully spoken for. Supply cannot grow.
- **Cities are structural, permanent buyers.** Aurora, Colorado Springs, Thornton and others buy senior Ark-basin rights and, per Aurora Water's own supply managers, **rarely ever sell them back** — they hold for population growth and dry years. Every purchase permanently removes a right from the market, tightening it further.
- **I-25 corridor growth is the demand pump.** Front Range population growth along I-25 is repeatedly cited as the primary driver pushing water prices up faster than ordinary supply-and-demand would predict.
- **Climate reduces the reliable yield.** Warming lowers Colorado River and snowpack reliability, so cities value senior, drought-proof rights at a growing premium over junior ones — exactly the class our 1862 shares fall into.

3. HARD COMPARABLES — WHAT SENIOR ARK-BASIN WATER ACTUALLY TRADES FOR

These are recent, real, verifiable transactions in our basin or adjacent Colorado markets. They bracket the value of an acre-foot of senior, transferable water:

TRANSACTION	\$ / ACRE-FOOT	CONTEXT
Aurora / Catlin Canal (Otero Co.)	~\$10,240	April 2024. \$76.8M for ~7,500 AF/yr of Arkansas-basin senior ditch rights (same basin family as ours).

TRANSACTION	\$ / ACRE-FOOT	CONTEXT
		The nearest true comparable.
Colorado-Big Thompson (C-BT) units	~\$52,000	Feb 2024 auction, 90 units. Northern Colorado / South Platte — a premium, highly liquid market. Upper bound, not our basin, but shows where scarce transferable water can go.
CO water-rights land listings (statewide avg)	n/a	June 2026: 115 water-rights properties listed, avg ~\$12,756/acre of land. Confirms an active, priced market exists today.
Fallow-lease (Super Ditch / Catlin pilot)	~\$700 / fallowed acre / yr	Lease income WITHOUT selling the right — farmers earned ~2x net vs. growing corn/alfalfa, keeping ≥70% of the right in ag. This is the “have-your-cake” path.

4. SIZING OUR POSITION — THE HONEST RANGE

SCENARIO	ASSUMED CU (AF)	@ \$10K/AF (TODAY)	@ \$18K/AF (10-15 YR)
Conservative	8 AF total	\$80,000	\$144,000
Midpoint	14 AF total	\$140,000	\$252,000
Higher	22 AF total	\$220,000	\$396,000

Appreciation assumption check: the jump from ~\$10K to ~\$18K/AF over 10-15 years is ~4% real annual growth — modest against a market where the Aurora/Catlin comp and C-BT auctions have run well ahead of general inflation, and where every city purchase permanently shrinks supply. It is deliberately not an aggressive number.

5. THE FOUR WAYS THE VALUE IS ACTUALLY REALIZED

PATH A — HOLD & IRRIGATE (BASE CASE)

Keep both shares irrigating the meadow: hay lease continuity, ag-status property-tax treatment, the branded farm and the guest-facing landscape all run on this water. Value here is USE value + optionality — we hold a senior right in an over-appropriated basin and let it appreciate while it works. Lowest risk, preserves every future path. This is the deck's current posture and it should stay the default.

PATH B — FALLOW-LEASE (INCOME WITHOUT SURRENDER)

PATH C — SELL THE RIGHT (BUY-AND-DRY) — THE PURE APPRECIATION PLAY

PATH D — ANTI-DILUTION / REPLACEMENT-COST VALUE (DEFENSIVE)

6. HOW TO SAY IT IN FRONT OF PARTNERS (AND HOW NOT TO)

SAY THIS (defensible)	NOT THIS (a sophisticate will flag it)
“We hold senior 1862 rights in an over-appropriated	“Our water is worth \$X million.” (No — value

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basin where cities are permanent net buyers — a scarce, appreciating asset embedded at an ag-land price.”	depends on quantified CU and a willing municipal buyer; state it as a range with assumptions.)
“We can monetize via fallow-lease 3-in-10 years without drying the land or selling the asset.”	“We'll irrigate the farm AND sell the water.” (No — a sale requires a dry-up covenant; you can't do both at full value.)
“Comparable senior Ark-basin water traded at ~\$10K/AF in 2024 (Aurora/Catlin); we're modeling modest appreciation from there.”	“Water rights always go up.” (No — junior rights, non-transferable deeds, and abandonment risk all cut the other way; specificity is credibility.)

7. DILIGENCE CHECKLIST TO CONVERT THESIS INTO NUMBER

- **Quantify CU:** obtain the shares' historical consumptive-use figure (AF/yr) — from the ditch company, prior water-court filings, or a water engineer. This is the master input; everything above is directional until it's known.
- **Confirm transferability:** read the deed and the Chilili ditch company bylaws for any “water stays with the land” or boundary restrictions; confirm shares can be sold/leased separately if we ever want Paths B/C.
- **Verify priority & good standing:** confirm the 1862 date on the decree, that assessments are current, and that there is no abandonment exposure (10+ yrs non-use creates a rebuttable presumption of abandonment under CO law).
- **Pull comparables:** ask a local water broker / the Lower Ark or Southeastern conservancy district for recent Purgatoire/Ark ditch-share trades to tighten the \$/AF anchor to our specific ditch.
- **Map the futile-call / administration risk:** Division 2 (Arkansas) is re-reviewing historical “futile call” diversions; confirm our senior right isn't exposed to a change in administration.

Sources: Water Education Colorado (“Tapping the Market,” 2025); Colorado Sun / KUNC / Sentinel Colorado on the 2024 Aurora-Catlin \$76.8M purchase; CSU Extension “Understanding Decreed Water Rights” (2026); Colorado DWR; Arkansas Valley Super Ditch pilot reporting; LandSearch CO water-rights listings (Jun 2026). Figures are directional and do not constitute an appraisal or legal advice; engage a Colorado water attorney and engineer before relying on any number here.