## IN THE SUPREME COURT OF THE STATE OF NEVADA

In Re: Rotation Schedule In the Matter of the Determination of the Relative Rights in and to the Waters of Mott Creek, Taylor Creek, Cary Creek (aka Carey Creek), Monument Creek, and Bulls Canyon, Stutler Creek (aka Stattler Creek), Sheridan Creek, Gansberg Spring, Sharpe Spring, Wheeler Creek No. 1, Wheeler Creek No. 2, Miller Creek, Beers Spring, Luther Creek and Various Unnamed Sources in Carson Valley, Douglas County, Nevada.

Supreme Court Case No.: 64773

Electronically Filed District Count Copy 407434 p.m. Case No.: TOBOLE/K0366 Deman Clerk of Supreme Court

Joy Smith, Daniel Barden and Elaine Barden, J.W. Bentley and MaryAnn Bentley, Trustees of the Bentley Family 1995 Trust,

Appellants,

vs.

The State of Nevada, Office of the State Engineer; Hall Ranches, LLC; Sheridan Creek Equestrian Center, LLC, a Nevada Limited Liability Company; Frank Scharo; Ronald R. Mitchell; Ginger G. Mitchell; Thomas J. Scyphers; Donald S. Forrester; and Kristina M. Forrester,

Respondents.

On Appeal from the Ninth Judicial District Court of the State of Nevada, in and for Douglas County Hon. Nathan Todd Young, District Judge

## **OPENING BRIEF OF APPELLANTS JOY SMITH, DANIEL BARDEN AND ELAINE BARDEN**

DYER, LAWERENCE, FLAHERTY, DONALDSON & PRUNTY Jessica C. Prunty, Nevada Bar No 6926 2805 Mountain Street, Carson City, Nevada 89703 Telephone (775)885-1896

#### **NRAP 26.1 DISCLOSURE STATEMENT**

The undersigned hereby certifies that Appellants Joy Smith, Daniel Barden and Elaine Barden (Smith & Barden) are individuals with no parent corporations and with no publicly held companies that have an interest in them. Jessica C. Prunty of the Dyer, Lawrence, Flaherty, Donaldson & Prunty firm has been Smith & Barden's only attorney in the district court proceedings below and no other attorney is expected to appear on their behalf in this matter.

Dated this 9th day of June, 2014

DYER, LAWRENCE, FLAHERTY, DONALDSON & PRUNTY 2805 Mountain Street Carson City, Nevada 89703 Telephone: (775) 885-1896 Fax: (775) 885-8728

By

Jessica C. Prunty NV #6926 Attorneys for Appellants

# **TABLE OF CONTENTS**

TABLE OF	F AUTHORITIES CITED iii
JURISDIC	TIONAL STATEMENT 1
ISSUES PF	RESENTED FOR REVIEW 1
STATEME	ENT OF THE CASE
STATEME	NT OF FACTS
ARGUME	NT SUMMARY 8
ARGUMEN	NT
I.	The District Court's Denial of the Petitions for Judicial Review is Appealable and this Court has Jurisdiction Over this Matter
	<ul> <li>A. Adjudication Proceedings in Nevada and the State Engineer's Administration of Water Rights During Such Proceedings are Governed by NRS Chapter 533</li></ul>
	<ul> <li>B. The "Consolidation" of the Petitions for Judicial Review Brought Challenging the State Engineer's Administration of Determined Water Rights into the Adjudication Case, with the Assignment of a Separate Subsection Case Number Does Deprive this Court of Jurisdiction to Hear This Appeal</li></ul>
II.	Standard of Review
III.	Rotation in Nevada Must be Consensual

.

	A.	Rotation of Water in Nevada Must be Conducted Pursuant to NRS 533.075, Which is a Grant of Authority to Water Users of a Common Source to
		Agree to Use Their Water on a Rotation Basis
	B.	The State Engineer Acted Arbitrarily and Capriciously in Forcing Smith & Barden, Non-Consenting Vested Water Right Users, to Rotate the Use of Their Water in Favor of Other Vested Water Right Users Whose Water Rights Have the Same Priority as Those of Smith & Barden
IV.		State Engineer Did Not Have Substantial Evidenceupport His Rotation Schedules22
CONCLUS	SION .	
CERTIFIC	ATE O	F COMPLIANCE
CERTIFIC	ATE O	F SERVICE

# **TABLE OF AUTHORITIES CITED**

# I. CASES

Inderson Family Associates v. Kicei, 124 Nev. 182, 179 P.3d 1201 (2008) 21
rtemas Holman v. Pleasant Grove City, 30 P. 72 (Utah 1892) 20
Pacher v. State Engineer, 122 Nev. 1110, 146 P.3d 793 (2006) 22
<i>ilipini v. State Engineer,</i> 66 Nev. 17, 202 P.2d 535 (1949) 21
<i>&amp; M Properties v. District Court,</i> 95 Nev. 301, 593 P.2d 714 19
n re Waters of Humboldt River, 54 Nev. 115, 7 P.2d 813 (1932) 10
Mallin v. Farmers Insurance Exchange,         106 Nev. 606, 797 P.2d 978 (1990)         13
Teubert v. Yakima-Tieton Irrigation District,814 P.2d 199 (Wash. 1991)20
<i>phir Silver Mining Co. v. Carpenter,</i> 4 Nev. 534, 543 (1869)
<i>rmsby County v. Kearney,</i> 37 Nev. 314, 142 P. 803 (1914) 21
ichlands Irrigation Co. v. Westview Irrigation Co., 80 P.2d 458, 466 (Utah 1938)

State ex rel. Hinckley v. Sixth Judicial District Court, 53 Nev. 343, 1 P.2d 105 (1931) 19	
<i>Steptoe Livestock Co. v. Gulley et al.,</i> 53 Nev. 163, 295 P. 772 (1931) 21	
<i>Town of Eureka v. State Engineer,</i> 108 Nev. 163, 826 P.2d 948 (1992)15	
United States v. State Engineer, 117 Nev. 585, 27 P.3d 51 (2001)16	
II. STATUTES	
NRAP 3(b) 1, 3	
NRCP 42	
NRS 533.075 passim	
NRS 533.085	
NRS 533.090	
NRS 533.090 -533.140	
NRS 533.145	
NRS 533.150	
NRS 533.160	
NRS 533.170	
NRS 533.185	
NRS 533.200	

NRS 533.220 11
NRS 533.230 11, 18
NRS 533.450(1) passim
NRS 533.450(9) passim
Or. Rev. Stat. §§ 540.150
Rev. Code Wash. § 90.03.390 16
Wyo. Stat. § 41-3-612(a) 16

# **III. OTHER AUTHORITIES**

## JURISDICTIONAL STATEMENT

This is an appeal of the Ninth Judicial District Court's denial of petitions for judicial review, challenging the State of Nevada, Office of the State Engineer's ("State Engineer") imposition of a rotation schedule upon the use of water by Appellants Joy Smith, Daniel Barden and Elaine Barden ("Smith & Barden") without their consent. The petitions for judicial review were brought pursuant to NRS 533.450(1). The district court's order denying the petitions for judicial review was a final order and this Court has jurisdiction over this matter under NRAP 3(b) and NRS 533.450(9).<sup>1</sup>

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# **ISSUES PRESENTED FOR REVIEW**

1. Is the district court's order denying consolidated petitions for judicial review challenging the actions of the State Engineer in administering the use of their water rights, which was brought under an on-going adjudication case, with a separate subsection case number assigned, appealable?

2. Did the State Engineer act arbitrarily and capriciously in forcing 15 Smith & Barden, non-consenting vested water right users, to rotate their use of 16 water in favor of other vested water right users whose water rights have the same 17 priority as those of Smith & Barden? 18

3. Did the State Engineer act arbitrarily and capriciously in forcing 19 Smith & Barden to rotate their use of water rights without making any findings 20 that the rotation would not impair their use of their water rights or be the most economical and efficient use of the waters of the stream in question?

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<sup>1</sup> This Court issued an order on May 27, 2014, requiring the parties to brief the issue of whether the district court's order denying the petitions for judicial review is a final, appealable order over which this Court has jurisdiction, which is addressed in the Argument section herein.

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4. Did the State Engineer exceed his statutory authority and act in violation of statutes when he issued a rotation schedule which included Smith & Barden?

5. Did the district court err as a matter of law in concluding that the court has the independent authority to order the rotation of water rights in the absence of a consensual and statutorily authorized agreement amongst the common water users of a source of water?

6. Did the district court err as a matter of law in concluding that the rotation schedules imposed upon Smith & Barden were not "illegal."

7. Did the State Engineer have any evidence, substantial or not, that
forcing Smith & Barden to rotate their usage of their water rights would not
conflict with or impair their water rights?

8. Did the State Engineer have any evidence, substantial or not, that
forcing Smith & Barden to rotate their usage of their water rights and is the most
economical and efficient use of the resource?

#### STATEMENT OF THE CASE

The State Engineer issued a rotation schedule in 2012 and in 2013, both of which required Smith & Barden, along with all other users holding water rights to the stream in question, to rotate the usage of their water rights during the irrigation season on a schedule dictated by him. Smith & Barden filed a petition for judicial review in 2012 challenging the rotation schedule in the Ninth Judicial District Court, Douglas County, before the Honorable Nathan Tod Young, District Judge, as did Appellants J.W. Bentley and MaryAnn Bentley, Trustees of the Bentley Family 1995 Trust ("Bentley"). Smith & Barden and Bentley jointly filed a petition for judicial review of the 2013 rotation schedule.

All three petitions for judicial review were formally consolidated into one action before the district court. The district court, at the request of the State Engineer and in consideration of its statutory continuing jurisdiction, also brought

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the consolidated petitions for judicial review under the on-going adjudication case, wherein the relative rights of users of numerous discrete stream systems, including the one in question, were being determined. As is common in water law cases involving surface waters that have been or are being adjudicated, the district court assigned the petitions for judicial review a sub-file number under the adjudication case number.

In their briefs and at oral argument of the petitions for judicial review, Smith & Barden argued that Nevada water law does not allow for compulsory rotation and that the State Engineer acted arbitrarily and capriciously, in excess of his statutory authority, and in violation of Nevada water law in issuing rotations schedules which included them, along with consenting water users, in the rotation. The district court did not agree and denied the petitions for judicial review. This appeal was taken of that order pursuant to NRS 533.450(9) and NRAP 3(b).

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#### **STATEMENT OF FACTS**

The water and its users. Sheridan Creek is a discrete stream system that arises in the Carson Range of the Eastern Sierra and flows into the Carson Valley, but does not reach the Carson River. I JA 157, II JA 235–38. It branches into a North and South Division. I JA 157. The North Division is the branch that is the subject of these proceedings. I JA 1-3, V JA 884-86. The waters of Stutler Creek and Gangsberg Springs are commingled with the North Division of Sheridan Creek and are administered together (these commingled waters are at times collectively referred to herein as "North Sheridan Creek"). I JA 157. North Sheridan Creek water is used for irrigation, stock-watering and domestic purposes. *See* II JA 244-45, 247-49, 262-64, 266.

Smith & Barden are the joint owners of vested water rights, Proofs V-06346 and V-06347, to the waters of the North Sheridan Creek and the commingled waters of Stutler Creek. II JA 266. Smith & Barden also have an interest in Permit 7595, Certificate 1760, to the waters of Gansberg Springs. II JA 283.

Appellant Bentley<sup>2</sup> and Respondents Hall Ranches, LLC., Thomas Scyphers, Kathleen Scyphers, Frank Scharo, Sheridan Creek Equestrian Center, LLC., Donald Forrester, Kristina Forrester, Ronald Mitchell and Ginger Mitchell are the current other users of North Sheridan Creek.<sup>3</sup> I JA 7-18. All of the water rights to North Sheridan Creek are vested and of equal priority,<sup>4</sup> except those of Gansberg Springs, which is a statutorily permitted water right with a later priority date.<sup>5</sup> I JA 157.

The adjudication proceeding. The adjudication of Sheridan Creek and 10 of several other various discrete stream systems flowing into the Carson Valley 11 from the Carson Range began in 1987 when a petition was filed with the State 12 Engineer requesting a determination of the relative rights of claimants of those 13 different waters. II JA 195. The State Engineer proceeded with its statutory 14 adjudication pursuant to NRS Chapter 533 by giving notice, investigating the 15 historic practices, taking proofs of claims, issuing his preliminary order of 16 determination, and hearing and resolving any objections thereto. II JA 195-97, 17

<sup>3</sup> For ease of reference, the private party Respondents will be referred to as "Intervenors", as so identified by the district court below. V JA 1066-67.

<sup>4</sup> The waters rights of the North Division of Sheridan Creek have a priority date of 1852; the waters of Stutler Creek have a priority date of 1905. I JA 157.

<sup>5</sup> The water rights to Gansberg Springs have a priority date of 1925 and the use of the water is supplemental to that of several vested North Sheridan Creek water rights, including Smith & Barden's. II JA 370. Supplemental water rights may augment or replace other water rights with the same place of use when that other water is unavailable, but do not expand upon the maximum amount of water that can be appropriated by the user. II JA 289.

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<sup>&</sup>lt;sup>2</sup> Bentley uses his own rights, as well as leased rights from the Pestana Family Trust. I JA 7-8, V JA 848.

In August 2008, the State Engineer issued his Final Order of 239-43. Determination ("FOD"), which was filed with the district court in November 2008 with the assigned case number 08-CV-0363. I JA 155, II JA 190. Given that the adjudication involved stream systems that were separate and distinct, the district court broke the adjudication into sub-parts.

Sub-part D, district court case number 08-CV-0363-D, involved the 6 determination of the relative rights of the users of the waters of North Sheridan 7 Creek and resolution of any exceptions to the State Engineer's FOD filed by 8 interested parties. See generally IJA 155-70. Smith & Barden did not file any 9 exceptions to the FOD as the State Engineer found their proofs of claim to be 10 valid for the requested acreage and they had no dispute with the State Engineer's determination of their relative rights to North Sheridan Creek set 12 forth in the FOD.<sup>6</sup> 13

Bentley, however, did file exceptions to the FOD and the district court 14 proceeded with resolution of those exceptions and entered its Findings of Fact, 15 Conclusions of Law, Order and Judgment ("Adjudication Order") affirming, for 16 the most part, the FOD settling the relative rights of users of the waters of the 17 North Sheridan Creek. Id. 18

The participating parties to the adjudication sub-proceeding D included 19 Interveners, who were allowed to intervene in the adjudication action to challenge Bentley's right to use water under a diversion agreement mentioned in one of Bentley's exceptions. Id., III JA 445-46. That diversion agreement required that water be diverted and continuously flow through ponds on Bentley's property. IJA 160-61. Bentley filed the exception to request that any rotation schedule be subject to that diversion agreement. III JA 445-46. The

<sup>6</sup> Notably, the FOD did not mandate Smith & Barden to rotate the usage of their rights. II JA 266.

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1	district court allowed Interveners to file claims and defenses regarding the
2	validity and alleged violation of the diversion agreement in the adjudication
3	action. I JA 161. At the onset of trial, the State Engineer, Interveners and
4	Bentley stipulated to resolve all of the exceptions, except the issue of the
5	diversion agreement, including the following stipulation: <sup>7</sup>
6	[T]he State Engineer would not attempt to include a rotation
7	schedule in the Decree itself, but that the provisions of NRS 533.075 and the orders of this Court would be used to determine when and if a rotation schedule is needed to <i>efficiently</i> use the
8 9	waters of the State of Nevada. However, Bentley reserves all objections to the imposition of a rotation schedule, including objection about the statutory authority to do so.
10	I JA 158-60 (emphasis added). The district court adopted all of the stipulations
11	and found that the FOD, with the stipulated modifications, "is proper and may
12	be included in the Decree." I JA 160. He then ordered:
13	5. When the combined flow from the North Diversion of Sheridan Creek and tributaries drops below 2.0 Joubic fact per second
14	Creek and tributaries drops below 2.0 [cubic feet per second "cfs"], the State Engineer shall impose a rotation schedule. 6. The rotation schedule shall be in effect from the time the North
15	Diversion of Neridan ('reek drong below 20) ate or until the
16	schedule is stayed or modified by this Court. 7. The rotation schedule shall be prepared at the beginning of the irrigation season to allow review by this Court, under NRS 533.450, if <i>any party challenges</i> the schedule. 8. The State Engineer has full authority to implement a rotation
17	533.450, if <i>any party challenges</i> the schedule. 8. The State Engineer has full authority to implement a rotation
18	schedule <i>if appropriate</i> .
19	I JA 169-70 (emphasis added). The Adjudication Order did not specify the
20	content or manner of any rotation schedule imposed, nor the scope of any such
21	rotation. See I JA 155-70.
22	Bentley appealed the Adjudication Order, but that appeal was dismissed
23	by this Court. See Bentley v. State Engineer, Docket No. 60891 (Order
24	
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26	<sup>7</sup> The trial centered around the issues of the validity of a diversion
27	agreement running to the benefit of Bentley's property and whether Bentley was violating the agreement, which was the focus of the Adjudication Order. See I JA
28	160-68.

Dyer, Lawrence, Flaherty, Donaldson & Prunty 2805 Mountain Street Carson City, Nevada 89703 (775) 885-1896 Dismissing Appeal, February 15, 2013). While the Adjudication Order was the final determination of the relative rights of water users of North Sheridan Creek, I JA 169, the district court had not vet finished its adjudication of other stream systems subject to the adjudication and no decree had been issued.<sup>8</sup> Therefore, the appeal was dismissed as premature.

State Engineer's rotation schedules. In 2012 and 2013, the State 6 Engineer issued rotation schedules as directed by the district court because 7 stream flows fell below 2.0 cfs. I JA 7-18, V JA 889-899. The rotation 8 schedules issued required all users of the commingled waters of North Sheridan 9 Creek to rotate their use of those waters on a 21-day cycle during the irrigation 10 season, including Smith & Barden. Id. No agreement amongst all the water users of North Sheridan Creek to rotate their use of water exists.<sup>9</sup> The State 12 Engineer provided no information or documentation with his rotation decisions 13 that the particular rotation imposed would accomplish a more efficient and 14 economic use of the waters by all water users or that the rotation would not 15 impair any of the water rights. Id. 16

The petition for judicial review proceedings. Upon receipt of notice of 17 the 2012 rotation, Smith & Barden brought a petition for judicial review challenging their inclusion in the rotation schedule. IJA 1-4. Bentley also filed a petition for judicial review in 2012. I JA 19-21. In 2013, Smith & Barden and Bentley filed a joint petition for judicial review. V JA 884-86. The three petitions were formally consolidated together pursuant to NRCP 42, and then brought under the adjudication case, with a designated sub-case number, 08-CV-

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<sup>&</sup>lt;sup>8</sup> Nor, to date, has the final decree adjudicating all of the stream systems been issued.

<sup>&</sup>lt;sup>9</sup> Accounting for the Bentley's lease of Pestana's water rights, the water rights of the non-consenting users, Bentley and Smith & Barden comprise approximately 35% of the total waters of North Sheridan Creek. I JA 7-8, 133.

0363-D1, by orders of the district court on October 11, 2012, and November 27, 2013. I JA 113-15, V JA 1058, 1067.

Interveners were in favor of the rotation schedules because they worked to their benefit, and thus, participated in the judicial review proceeding in 4 support of the State Engineer. V JA 1057-58. The district court rejected Smith 5 & Barden's arguments, finding that forced rotation is authorized in Nevada, that the rotation schedules at issue were not "illegal", that substantial evidence supported the State Engineer's decision to require Smith & Barden to rotate their use of the water, and that the district court and the State Engineer had full authority to order the rotation. V JA 1059-61. The petitions were denied and this appeal was taken. V JA 1063.

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#### **ARGUMENT SUMMARY**

The very premise of rotation is grounded in its voluntary nature, which is 13 iterated in NRS 533.075. The concept is that a group of irrigators of a common 14 source can agree to rotate their use of the water so that each irrigator will have 15 the full flow of the water source for certain times in order to build enough 16 irrigation head to force the water to the fields. The rotation schedules at issue 17 here were not creatures of such an agreement. 18

While the State Engineer was ordered to impose a rotation schedule to achieve a more efficient use of the waters of North Sheridan Creek by the district court under certain flow conditions, the scope and manner of rotation was left up to the discretion of the State Engineer. Any such discretion must be exercised within the bounds of NRS 533.075. A rotation schedule which inures only to the benefit of certain water users, while impairing the water rights of other users, all of whom have rights that are vested and of equal priority, cannot be imposed in Nevada. Accordingly, the district court's directive to the State Engineer to order rotation must be read within this constraint and the State Engineer is not statutorily authorized to require non-consenting water users to rotate their use

of their vested water rights. If he does so, as he did here, his actions are arbitrary and capricious and cannot be sustained.

Moreover, even if water users could be ordered to rotate their use of water over their objection, the State Engineer must have substantial evidence that the particular rotation ordered achieves a more economical and efficient use of the waters for *all* water users and does not impair *any* water right of equal or earlier priority. There is no evidence of such findings in this case; therfore, the rotation schedules cannot be upheld.

#### ARGUMENT

#### I. The District Court's Denial of the Petitions for Judicial Review Is Appealable and this Court Has Jurisdiction over this Matter.

<u>A.</u> <u>Adjudication Proceedings in Nevada and the State Engineer's</u> <u>Administration of Water Rights During Such Proceedings Are Governed</u> by NRS Chapter 533.

Water rights in Nevada are adjudicated under the statutory procedure set 14 forth in NRS Chapter 533. An adjudication determines the relative rights of 15 claimants to waters of the subject surface waters. NRS 533.090(1). After notice 16 and investigation, the State Engineer takes proofs of claims of water right 17 claimants and issues a preliminary order of determination of the validity of the 18 claims. NRS 533.090-533.140. Objections can be made to the preliminary order 19 of determination, which are resolved after hearing by the State Engineer. NRS 20 533.145; 533.150. 21

At this juncture, the State Engineer finalizes his preliminary order and files a FOD with the district court in the county in which the stream system is situated, which acts as a complaint in a civil action, initiating the adjudication proceeding at the district court level. NRS 533.160. Any party "aggrieved or dissatisfied" with the FOD may file exceptions in the adjudication case and the court will resolve the exceptions through hearing. *See* NRS 533.170(1). After ///

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the hearing of any exceptions, the district court enters its final "decree affirming or modifying the order of the State Engineer." NRS 533.185.

NRS 533.200 provides that an appeal of the decree may be taken. This 3 Court has held that only the *final* decree is appealable, because adjudication 4 proceedings, by their very nature, affect the rights of all of the claimants or 5 water users to a particular stream system, and a dispute between particular water 6 claimants is not "severable" and separately appealable, unless the disputes 7 between all claimants of the subject waters have been resolved through the entry 8 of a decree. See, e.g., In re Waters of Humboldt River, 54 Nev. 115, 7 P.2d 813 9 (1932) (dismissing attempted appeal from judgment determining relative rights 10 of claimants to waters diverted from the Humboldt River through a connected 11 canal, prior to entry of final decree adjudicating all the connected waters in the 12 Humbolt river system). 13

This case is somewhat unique in that the district court has not issued a series of orders determining the relative rights of users of different sections or tributaries of the *same* stream system, such as in the Humboldt River case cited above. Rather, this is an adjudication where the State Engineer logically grouped together various, discrete stream systems that drain into the Carson Valley from the Eastern slope of the Carson Range into the adjudication for what appears to be administrative ease. *See* II JA 195.

The district court stated that the Adjudication Order, affirming and modifying the FOD was a final order as to the claimants of North Sheridan Creek, and the FOD, as amended by the Adjudication Order, "shall become the Final Decree" as to that sub-part of the adjudication, district court case number 08-CV-0363 D. I JA 169. However, at this time, the district court still has not issued a final decree for all the sub-parts of the adjudication proceeding, and until he does so, no appeal can be taken of the Adjudication Order. *See Bentley* ///

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v. State Engineer, Docket No. 60891 (Order Dismissing Appeal, February 15, 2013).

That does not mean that the parties are in a limbo state without recourse 3 to the courts until entry of the final decree. The State Engineer is charged to 4 administer the rights of the water law claimants in accordance with the FOD and 5 under the adjudicating district court's "supervision and control." NRS 6 533.220(1); 533.230. For example, if a water law claimant refuses to follow 7 the FOD or the adjudication court's orders determining the relative rights of 8 water users, the State Engineer may petition the adjudicating district court for a show cause hearing for enforcement, and an appeal may be made to this Court of the resulting judgment. NRS 533.220(2)-(5).

The State Engineer will also make decisions in his administration of the 12 rights determined under the FOD and orders of the district court, pending 13 issuance of a final decree, as he did here. NRS 533.220; 533.230. NRS 14 533.450(1) provides for judicial review of such administrative actions, and 15 therefore, decisions of the State Engineer administering water rights during the 16 pendency of the often long, drawn-out, adjudication proceedings falls within its 17 purview.<sup>10</sup> And NRS 533.450(1) also requires that any such petition for judicial 18

> Except as otherwise provided in NRS 533.353, any person feeling aggrieved by any order or decision of the State Engineer, acting in person or through the assistants of the State Engineer or the water commissioner, affecting the person's interests, when the order or decision relates to the administration of determined rights or is made pursuant to NRS 533.270 to 533.445, inclusive, or NRS 533.481, 534.193, 535.200 or 536.200, may have the same reviewed by a proceeding for that purpose, insofar as may be in the nature of an appeal, which must be initiated in the proper court of the county in which the matters affected or a portion thereof are situated, but on stream systems where a decree of court has been entered, the action must be initiated in the court that entered the decree.

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review regarding the State Engineer's administration of water rights of a stream system subject to an adjudication, must be brought in the adjudicating court. *Id.* Appeal of the district court's order granting or denying a petition for judicial review of the decision or action of the State Engineer is specifically provided for as well. NRS 533.450(9).

Here, the issue of the ability to force rotation upon non-consenting water 6 users of the same water source was not litigated as part of the North Sheridan 7 Creek adjudication proceeding. Rather, the district court ordered that when the 8 flow of North Sheridan Creek dropped below 2.0 cubic feet per second (cfs), 9 "the State Engineer shall impose a rotation schedule ... [and] shall monitor the 10 system and make changes as required by law or by the request of the parties." 11 I JA 169-170. The district court did not specify the content, manner or scope of 12 any such rotation schedule. See generally I JA 155-170. In recognition of the 13 fact that the decision of the State Engineer in formulating a particular rotation 14 schedule is an administration of the water rights subject to the court's continuing 15 jurisdiction, the district court expressly provided that aggrieved persons could 16 petition for judicial review of any rotation schedule imposed. I JA 169. 17

B. The "Consolidation" of the Petitions for Judicial Review Brought Challenging the State Engineer's Administration of Determined Water Rights into the Adjudication Case, with the Assignment of a Separate Subsection Case Number Does Deprive this Court of Jurisdiction to Hear This Appeal.

Smith & Barden, upon receipt of notice of the 2012 and 2013 rotation schedules, challenged their inclusion in the scope of those schedules by petitioning the district court for judicial review. Bentley did the same. The district court ordered that the three petitions for judicial review be consolidated pursuant to NRCP 42(a) as they "pertain[ed] to related issues of fact and law."<sup>11</sup>

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<sup>&</sup>lt;sup>11</sup> The consolidation order was only to the 2012 petitions, but the 2013 petition was later consolidated as well.

I JA 114. But it made no such reference to NRCP 42 when it "consolidated" the petitions into the adjudication case, district court case number 08-CV-0363, at the request of the State Engineer due to the district court's continuing jurisdiction over waters subject to an adjudication.<sup>12</sup> The court ordered that the consolidated petitions be "assigned the subsection designation of NJDC Case 08-CF-0363-D-1."<sup>13</sup> Id.

The nature of the petitions are a challenge of the State Engineer's 7 administration of the FOD and the Adjudication Order and are properly before 8 this Court. The issuance of the rotation schedules was not merely a ministerial act conducted at the direction of the interlocutory Adjudication Order. Instead, the State Engineer was charged with the responsibility of determining which

<sup>12</sup> The district court expressly consolidated the three petitions for judicial 13 review together pursuant to NRCP 42, which was entirely appropriate. If the 14 district court had deferred ruling on any one of the consolidated petitions for judicial review, there is no argument that this appeal would have been premature. 15 See Mallin v. Farmers Ins. Exch., 106 Nev. 606, 797 P.2d 978 (1990) (holding 16 that consolidated actions are treated as one, and thus, all of the claims, rights, and 17 obligations of the parties must be resolved before an order is considered final for purposes of appellate jurisdiction). But that does not hold true for the appeal at 18 hand. 19

<sup>13</sup> It is common for the decree court to assign petitions for judicial review or other disputes over the subject water rights the same case number, sometimes with a separate subsection designation, as the court did here. As the State Engineer pointed out, this is because the potential for water disputes over the same stream system are never-ending and the decree court has developed the record and expertise to deal with the disputes of the waters it adjudicates. I JA 89-93 (The State Engineer included the first page of a pleading contesting on of his rulings on the Truckee River, which was assigned a subfile number under the main adjudication case of the Orr Ditch Decree). For informational purposes, Smith & Barden's have provided an Addendum filed contemporaneously with this brief that includes, as Exhibit 1, pages of the docket of the Humboldt County district court listing cases regarding Humboldt River water rights. This Court will note that the all the disputes are listed under the same case number.

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water right users would be subject to the rotation schedule and the details of the manner of the rotation.

There was no mandate from the district court that the State Engineer had 3 to force non-consenting users of water, such as Smith & Barden, who 4 historically used their pro-rata share of water on a continuous basis, to be part 5 of the rotation or under what parameters the State Engineer could compel any 6 particular user to rotate the usage of their water. These are issues that were not 7 and will not be resolved by the adjudication case as they have no bearing on the 8 *determination* of the relative rights of the various water claimants. The petitions 9 raise issues that challenge the State Engineer's *administration* of these rights. 10 As such, and pursuant to NRS 533.450(9), the district court's denial of the 11 consolidated petitions for judicial review is appealable, regardless of the on-12 going nature of the adjudication. 13

The State Engineer agrees. At the oral argument of the petitions for judicial review, Deputy Attorney General for the State Engineer stated that the State Engineer did not dispute that Smith & Barden and Bentley were entitled to bring the petitions for judicial review. V JA 957. He agreed that the petitions involved "the administration of the decree rather than the decree itself." *Id.* And he further explained that

> once the decree becomes final, disputes such as this don't reopen the whole decree under NRS 533. So our position is this appeal does not concern the decree itself but it is by the decree court, and because this Court takes exclusive jurisdiction over the rez [sic], then this Court has exclusive jurisdiction....[S]ince this Court has exclusive jurisdiction over th rez [sic], that's why we filed the motion...to... have the same number as the adjudication so that all of these cases are together[.]...[I]t's our position that they are not part of the decree, these are concerning the administration of the order of this Court."

V JA 958-59. Counsel for Interveners concurred. V JA 959.

What if this case involved not the decision of the State Engineer to include objecting user in a rotation, but to a decision of the State Engineer to grant an

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application to change the place or manner of use or point of diversion of North 1 Sheridan Creek water rights? The result would be the same. The act of the 2 State Engineer would be an administrative act that could be reviewed by the 3 district court under NRS 533.450(1). The petition would be assigned a 4 subsection number under the main adjudication case and the grant or denial of 5 the petition would be appealable to this Court per NRS 533.450(9). Thus, this 6 case is squarely and properly before the Court and this Court has jurisdiction to 7 proceed. 8

## II. Standard of Review

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Judicial review of the State Engineer's decisions or order is brought 10 pursuant to NRS 533.450 and is in "the nature of an appeal." NRS 533.450(1). 11 Any aggrieved party may bring such a petition. This Court "is free to decide 12 purely legal questions ... without deference to the [State Engineer's] decision." 13 Town of Eureka v. State Engineer, 108 Nev. 163, 165, 826 P.2d 948 (1992). 14 However, "[w]ith questions of fact, the reviewing court must limit itself to a 15 determination of whether substantial evidence in the record supports the State 16 Engineer's decision." Id. The matter at hand presents both questions of law and 17 fact. 18

## III. Rotation of Vested Water Rights of Equal Priority in Nevada must Be Consensual

The State Engineer issued rotation schedules requiring *all* users of the commingled waters of North Sheridan Creek to rotate their use of those waters, including Smith & Barden, during the 2012 and 2013 irrigation seasons, regardless if they objected to the rotation. But there is no statutory authority in Nevada that allows for the State Engineer to impose a rotation schedule upon non-consenting water users.

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	1 2	A. <u>Rotation of Water in Nevada Must be Conducted Pursuant to NRS</u> 533.075, Which is a Grant of Authority to Water Users of a Common Source to Agree to Use their Water on a Rotation Basis.
	3	The only Nevada water law statute that provides for implementation of a
	4	rotation schedule is NRS 533.075, which provides:
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	6	To bring about a more <i>economical</i> use of the available water supply, it shall be lawful for <i>water users owning lands to which</i>
	7	water is appurtenant to rotate in the use of the supply to which they may be collectively entitled; or a single water user, having lands to
	8	<i>may be collectively entitled</i> ; or a single water user, having lands to which water rights of a different priority attach, may in like manner rotate in use, when such rotation can be made without injury to lands enjoying an earlier priority, to the end that each user may have an irrigation head of at least 2 cubic feet per second.
	9	have an irrigation head of at least 2 cubic feet per second.
	10	Emphasis added.
	11	"[I]t is well established that when the language of a statute is plain and
	12	unambiguous, a court should give that language its ordinary meaning and not go
	13	beyond it." United States v. State Engineer, 117 Nev. 585, 589-90, 27 P.3d 51
	14	(2001) (internal citations, quotations and brackets omitted). NRS 533.075 is not
	15	ambiguous. To be considered ambiguous, a statute must be capable of two or
	16	more reasonable, but inconsistent interpretations. Id.
	17	NRS 533.075 allows users of a single source of water to agree to use their
	18	water outside the terms and conditions of their water rights to bring about a more
	19	economical use of the water. In essence, it is a grant of authority to water right
	20	users of a common source to alter the amount and timing of water used for
	21	irrigation outside of any dictate of the State Engineer to achieve a more efficient
	22	use of a scarce resource. On the face of the statute, a rotation schedule cannot
	23	be imposed upon non-consenting water-users and cannot impair users rights. <sup>14</sup>
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	25	<sup>14</sup> NRS 533.075 is similar to rotation statutes in other states. Oregon,
0	26	Washington and Wyoming all permit water users of a single source to agree upon
01-00	27	a rotation schedule. <i>See</i> Or. Rev. Stat. §§ 540.150 ("To bring about a more economical use of the available water supply, water users owning lands to which
0601-000 (011)	28	are attached water rights may rotate in the use of the supply to which they may be
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1 In construing water law statutes, the State Engineer's "interpretation of its 2 own regulation or statute is entitled to consideration and respect[,]" so long as 3 it does not contravene the plain language of the statute. Id. Here, the State 4 Engineer's interpretation of NRS 533.075 is consistent with that articulated 5 herein. As he set forth in the FOD, citing to NRS 533.075: 6 claimants of vested water rights and those owners of water rights 7 acquired through the appropriative process from a common supply may rotate the use of water to which they are collectively entitled 8 based on an agreement, so as to not injure nonparticipants or infringe upon their water rights, which is subject to approval by the State Engineer. The purpose is to enable irrigators to exercise their water rights more efficiently, and thus, to bring about a more 9 10 economical use of available water supplies in accordance with their dates of priority. 11 II JA 289 (emphasis added). This interpretation is further buttressed by an 12 informational report issued by the office of the State Engineer in 1974, wherein 13 the State Engineer described NRS 533.075 as follows: 14 15 A unique feature permitted in Chapter 533 of the Nevada Water Law is the principle of rotation to bring about a more economical use of the available water supply. An example of rotation is when users on a stream agree that when the natural flow has reached a minimum, they can combine their rights to develop a larger head and rotate this larger head among the individual users on an agreed 16 17 18 19 collectively entitled."); Rev. Code Wash. § 90.03.390 ("Water users owning lands 20 to which water rights are attached may rotate in the use of water to which they are collectively entitled, . . . when such rotation can be made without detriment to 21 other existing water rights, and has the approval of the water master or 22 department."); Wyo. Stat. § 41-3-612(a) ("To bring about a more economical use 23 of the available water supply, it is lawful for water users owning lands to which are attached water rights, to rotate in the use of supply to which they may be 24 collectively entitled[.]...Rotation of water will only be allowed only if it can be 25 accomplished without injury to other appropriators."). The common thread amongst NRS 533.075 and these statutes is that rotation is premised upon the 26 water users' agreement and that rotation achieves, in the opinion of those water 27 users, a more economical use of the water and cause no injury to other water rights of equal or earlier priority. 28

Dyer, Lawrence, Flaherty, Donaldson & Prunty 2805 Mountain Street Carson City, Nevada 89703 (775) 885-1896 upon schedule. The practice can give larger heads for shorter periods of time, with resultant increases in irrigation efficiency and lower operating costs.

Water for Nevada, Special Information Report, Water - Legal and Administrative Aspects, Division of Water Resources, 1974, at 17, available at http://images.water.nv.gov/images/publications/water%20planning%20reports/ wfn special admin.pdf, and attached for this Court's courtesy as Exhibit 2 to Smith & Barden's Addendum.

NRS 533.075 was enacted as part of the 1913 comprehensive statutory 8 water law scheme. It embodies the common law policy in existence at that time of encouraging the practice of agreed-upon rotation as an efficient use of a single source of water by its different users. Neither the State Engineer nor Interveners dispute that NRS 533.075 is a consent-based statute. It is clear that the law in Nevada only allows for consensual rotation and the State Engineer may not use rotation as an administrative tool to force rotation upon non-consenting users.

Moreover, during an ongoing adjudication proceeding, NRS 533.230 15 provides that the State Engineer is to *administer* water in accordance with the 16 FOD pending issuance of a final decree. In regards to the waters of North 17 Sheridan Creek, all the FOD states is that in times of low flow, all users will 18 have to share in the water shortage. II JA 388. This is due to the fact that all 19 North Sheridan Creek water users rights are of equal priority and why the FOD 20 suggests, but does not mandate, that "[t]he total diversion from either the north or south split can be used in its entirety in a rotation system of irrigation." II JA 387-88 (Emphasis added).

The district court affirmed the FOD as to the determination of the relative rights of claimants to use the waters of North Sheridan Creek, with a few minor modifications. I JA 160, 169. The district court also ordered that the State Engineer would impose a rotation schedule under certain flow conditions, but that no such rotation would be included in the decree. I JA 158, 169-70. The

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Adjudication Order was silent as to the scope and manner of the rotation 1 imposed. See I JA 155-70. Thus, the State Engineer's discretion in formulating 2 a particular rotation schedule must be exercised within the bounds of Nevada's 3 statutes and the State Engineer may not reach beyond the plain language of the 4 statutes or the FOD to force non-consenting water users to rotate their usage of 5 their water. See State ex rel. Hinckley v. Sixth Judicial District Court, 53 Nev. 6 343, 353-54, 1 P.2d 105 (1931) (water "could be properly and legally distributed 7 by the [State Engineer's] officers . . . only when done in accordance with the 8 terms of the order of determination"); see also G & M Properties .v District 9 Court, 95 Nev. 301, 594 P.2d 714 (court's authority in statutory adjudication is 10 limited to that set forth in adjudication statutes).

In the case at hand, it is undisputed that there is no agreement amongst all 12 the users of North Sheridan Creek to rotate their usage of those waters and that 13 Smith & Barden do not consent to the rotation schedules imposed. Smith and 14 Barden's rights cannot be subjected to a rotation schedule, and the State 15 Engineer acted arbitrarily and capriciously and in excess of his statutory 16 authority in including them in the rotation. Thus, the district court erred as a 17 matter of law in holding that the challenged rotation schedules were not "illegal" 18 and were within the bounds of the court's and the State Engineer's authority to 19 order. 20

# The State Engineer Acted Arbitrarily and Capriciously in Forcing Smith & Barden, Non-Consenting Vested Water Right Users, to Rotate the Use of Their Water in Favor of Other Vested Water Right Users Whose Water Rights Have the Same Priority as Those of Smith & Barden. <u>B.</u>

Nevada's water rights are administered on a "first in time, first in right" The importance of being "first in time" is prior appropriation scheme. demonstrated in times of water shortage where the priority of rights dictates who will receive water and who will not. In other words, the holders of junior rights will be cut off from their water to protect the rights of senior users. See Ophir

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*Silver Mining Co. v. Carpenter*, 4 Nev. 534, 543 (1869) ("priority of appropriation gives the superior right").

The water users of North Sheridan Creek all hold vested water rights of equal priority. Thus the question becomes, how to deal with shortages if there is no junior appropriator whose supply of water can be curtailed to satisfy the needs of the senior appropriator? Respondents are likely to argue that the only way for holders of equal priority water rights to share the water of the same source in times of shortage is on a rotational basis. That is simply not the case.

Individuals that enjoy the use of water rights on an equal par with other 9 users of the same source are entitled to expect the State Engineer to administer 10 and protect those rights in a non-arbitrary and non-discriminatory matter. Water 11 users of a common source of water may always agree to rotate the use of their 12 water, but such an agreement cannot bind the non-consenting users. In such 13 times, those non-consenting users will have to share in the shortage, by taking 14 their reduced pro-rata share based upon available supply. See Richlands Irr. Co. 15 v. Westview Irr. Co., 80 P.2d 458, 466 (Utah 1938) ("those of equal right and 16 priority must prorate the shortage between them"); see also Artemas Holman v. 17 *Pleasant Grove City*, 30 P. 72 (Utah 1892)(distribution of water to city residents 18 could not be unequal and when there is not enough water to furnish all users 19 with what they need, the city should make a pro rata reduction). 20

Otherwise, forcing objecting users to rotate their water in favor of consenting users that hold rights of the same priority is discriminatory and impairs their water rights. *See Neubert v. Yakima-Tieton Irr. Dist.*, 814 P.2d 199 (Wash. 1991) (irrigation district improperly discriminated against water users by giving preference to users who signed up for frost protection service over the users who did not, and all of whom shared the same priority of their water rights). By including non-consenting users in a rotation schedule, the State ///

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Engineer is effectively and inappropriately relegating those users to a "junior" appropriator status, contrary to the long-held mandates of Nevada water law.

Furthermore, the State Engineer's duty to equally administer rights of 3 equal priority is heightened when it comes to vested water rights. When the 4 Nevada Legislature enacted the water law scheme in 1913, it intended to "place 5 the distribution of the waters of the streams or stream systems of the state to the 6 person entitle thereto, under state control." Ormbsy County v. Kearney, 37 Nev. 7 314, 336, 142 P. 803 (1914). But in doing so, it ensured that vested rights, *i.e.*, 8 rights that were initiated prior to adoption of the statutory scheme, would be 9 protected from *impairment* as memorialized in NRS 533.085: 10

[n]othing contained in this chapter shall impair the vested right of any person to the use of water, nor shall the right of any person to take and use water be impaired or affected by any of the provisions of this chapter where appropriations have been initiated in accordance with law prior to March 22, 1913.

This protection was built into the water act by the Legislature as a due process 14 measure to ensure that vested rights would not be impaired, "that is, they shall 15 not be diminished in quantity or value," by the administration of the statutes or 16 the State Engineer's exercise of his authority thereunder. See Ormbsy County. 17 37 Nev. at 352, 142 P. at 806. The Nevada Supreme Court has consistently 18 affirmed and applied this mandate. Anderson Family Associates v. Kicei, 124 19 Nev. 182, 186-88, 179 P.3d 1201 (2008); Filipini v. State Engineer, 66 Nev. 17, 20 22-23, 202 P.2d 535 (1949). 21

Historical usage is what defines the extent and terms of vested water rights. *See generally Steptoe Livestock Co. v. Gulley et al.*, 53 Nev. 163, 295 P. 772 (1931). Throughout the adjudication process, after conducting a stream flow investigation pursuant to NRS 535.100, taking proofs pursuant to NRS 533.110-533.125, and preparing the preliminary and final orders of determination pursuant to NRS 533.140-533.165, the State Engineer never made any findings that Smith and Barden's water rights were historically used in

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rotation. II JA 195-97, 235, 266, 289, 386-87. In sum, the determination of the extent and terms of use of Smith & Barden's water rights did not include rotation of those rights.

Therefore, the only way the State Engineer could order Smith & Barden 4 to rotate their water rights in administering the vested rights of North Sheridan 5 Creek was to ensure that the rotation schedule equally benefits all water users 6 of North Sheridan Creek, which of course would mean that the users would 7 likely consent to the rotation. If not, he can only order non-consenting users to 8 take a pro-rata reduced share of available water. Otherwise, the rotation will 9 effectively diminish the quantity and value of the vested water rights, but will 10 purportedly improve the quantity and value of vested rights with the same 11 priority. This discriminatory administration smacks of arbitrariness and is not 12 countenanced by Nevada law.<sup>15</sup> 13

IV. The State Engineer Did Not Have Substantial Evidence to Support His Rotation Schedules.

Assuming *arguendo*, that the State Engineer did not act contrary to Nevada law, in excess of his authority, or arbitrarily and capriciously in imposing a rotation schedule upon Smith and Barden, his decision to do so is not supported by substantial evidence. Substantial evidence is defined "as that which a reasonable mind might accept as adequate to support a conclusion." *Bacher v. State Engineer*, 122 Nev. 1110, 1121, 146 P.3d 793 (2006).

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<sup>&</sup>lt;sup>15</sup> Water rights in Nevada can be changed as to place and type of use upon approval by the State Engineer. They are also freely alienable. Yet, mandated rotation circumscribes any attempt by Smith and Barden to change the type of use of their water rights from irrigation or to sell or lease such rights to a third party for a different type of use. This significant curtailment of their property interest in their water rights by virtue of a forced rotation schedule was not contemplated by the Legislature, nor can it be sustained by this Court.

In this case, the State Engineer must have made some conscious decision to include Smith & Barden in the rotation, which could only be justified if he determined that the rotation would achieve a more economical and efficient use of their water rights, the entire purpose of rotation. *See* NRS 533.075; *Water for Nevada, supra*, Ex. 2 to Addendum. Moreover, in subjecting Smith & Barden to the rotation, he must also have had evidence that the rotation would not impair their rights to the benefit of rights of equal priority, which is a parameter that guards against discriminatory, arbitrary or capricious actions. In the absence of such evidence, how can a decision to include Smith & Barden in a rotation schedule over their objection be justified?

Nonetheless, the State Engineer's rotation orders are devoid of any 11 reference that he had any evidence to support his decision to impose the rotation 12 upon Smith & Barden in a manner that did not impair their rights or achieve a 13 more economical use of their water. IJA 5-18, VJA 847-857.<sup>16</sup> Neither did the 14 State Engineer produce any such evidence in the proceedings before the district 15 court. A reasonable mind could not possibly accept that no evidence equates to 16 adequate evidence. Therefore, the district court erred in finding that substantial 17 evidence supported the State Engineer's imposition of the rotation schedule. 18

## CONCLUSION

The State Engineer's authority is not unlimited. He must act within the bounds of the statutes in his administration of water rights pursuant to a FOD or adjudicating court order or decree. In Nevada, rotation of water rights of a common source must be consensual and the State Engineer cannot impose rotation upon non-consenting users whose rights are of equal priority to those users who consent to rotation.

<sup>16</sup> The rotation schedules issued in 2012 and 2013 are virtually identical as to parties included and dictated timing of the use of their rights. *Id.* 

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The district court erred in concluding that forced rotation is condoned by 1 Nevada law and that the rotation schedules imposed that did not carve out Smith 2 & Barden from their purview were valid, legal and supported by substantial 3 evidence. Accordingly, and for the foregoing reasons, the order of the district 4 court must be reversed and the matter remanded with instructions that the State 5 Engineer must structure his rotation schedules for North Sheridan Creek in such 6 a manner that non-consenting water users are exempted from their scope. 7 Respectfully submitted this T day of June, 2014. 8 9 DYER, LAWRENCE, FLAHERTY, DONALDSON & PRUNTY 10 2805 Mountain Street Carson City, Nevada 89703 Telephone: (775) 885-1896 Fax: (775) 885-8728 11 12 Email: jprunty@dyerlawrence.com 13 14 B٦ 15 Jessica C.\Prunty NV #6926 Attorneys for Appellants Smith & Barden 16 17 18 19 20 21 22 23 24 25 26 27 28 - 24 -

Dyer, Lawrence, Flaherty, Donaldson & Prunty

Carson City, Nevada 89703

(775) 885-1896

2805 Mountain Street

## **CERTIFICATE OF COMPLIANCE**

1. I hereby certify that this brief complies with the formatting requirements 2 of NRAP 32(a)(4), the type face requirements of NRAP 32(a)(5) and the type style requirements of NRAP 32(a)(6) because: this brief has been prepared in a proportionally spaced typeface using WordPerfect, Times New Roman 14 point font.

2. I further certify that this brief complies with the page- or type-volume 7 limitations of NRAP 32(a)(7) because, excluding the parts of the brief exempted 8 by NRAP 32(a)(7)(C), it is: 9

(a) proportionately spaced, has a typeface of 14 points or more, and 10 contains 7937 words; and (2) does not exceed 30 pages. 11

3. Finally, I hereby certify that I have read this appellate brief, and to the 12 best of my knowledge, information, and belief, it is not frivolous or interposed 13 for any improper purpose. I further certify that this brief complies with all 14 applicable Nevada Rules of Appellate Procedure, in particular NRAP 28(e)(1), 15 which requires every assertion in the brief regarding matters in the record to be 16 supported by a reference to the page and volume number, if any, of the transcript 17 or appendix where the matter relied on is to be found. I understand that I may be 18 subject to sanctions in the event that the accompanying brief is not in conformity 19 with the requirements of the Nevada Rules of Appellate Procedure. 20 Dated this day of June, 2014 21

DYER, LAWRENCE, FLAHERTY, DONALDSON & PRÚNTY 2805 Mountain Street Carson City, Nevada 89703 Telephone: (775) 885-1896 Fax: (775) 885-8728 By -Jessica C. Prunty NV #6926 Attorneys for Appellants Smith & Barden

Dyer, Lawrence, Flaherty, Donaldson & Prunty Carson City, Nevada 89703 2805 Mountain Street (775) 885-1896

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	1	CERTIFICATE OF SERVICE
	2	I hereby certify that I am an employee of Dyer, Lawrence, Flaherty,
	3	Donaldson & Prunty, and that on the 10 <sup>th</sup> day of June, 2014, I caused a true and
	4	correct copy of the within OPENING BRIEF OF APPELLANTS JOY
	5	SMITH, DANIEL BARDEN AND ELAINE BARDEN to be deposited in the
	6	U.S. Mail, first-class postage prepaid, addressed to the persons listed below:
	7	Bryan L. Stockton, Esq. Deputy Attorney General 100 North Carson Street
	8	100 North Carson Street Carson City, Nevada 89701
	9	Thomas J. Hall, Esq. Law Offices of Thomas J. Hall
	10 11	P.O. Box 3948 Reno, Nevada 89520
	12	
	13	Michael L. Matuska, Esq. Matuska Law Offices, Ltd. 937 Mica Drive, Suite 16A Carson City, Nevada 89705
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	15	Kelly Gilbert
	16	Keny Gilbert
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