

IN THE SUPREME COURT OF THE STATE OF NEVADA

DIAMOND NATURAL RESOURCES
PROTECTION & CONSERVATION
ASSOCIATION; J&T FARMS, LLC;
GALLAGHER FARMS, LLC; JEFF
LOMMORI; M&C HAY; CONLEY LAND &
LIVESTOCK, LLC; JAMES ETCHEVERRY;
NICK ETCHEVERRY; TIM HALPIN; SANDI
HALPIN; DIAMOND VALLEY HAY
COMPANY, INC.; MARK MOYLE FARMS
LLC; D.F. & E.M. PALMORE FAMILY
TRUST; WILLIAM H. NORTON; PATRICIA
NORTON; SESTANOVICH HAY & CATTLE,
LLC; JERRY ANDERSON; BILL BAUMAN;
DARLA BAUMAN; TIM WILSON, P.E.,
NEVADA STATE ENGINEER, DIVISION OF
WATER RESOURCES, DEPARTMENT OF
CONSERVATION AND NATURAL
RESOURCES; AND EUREKA COUNTY,

Appellants,

vs.

DIAMOND VALLEY RANCH, LLC;
AMERICAN FIRST FEDERAL, INC.; BERG
PROPERTIES CALIFORNIA, LLC; BLANCO
RANCH, LLC; BETH MILLS, TRUSTEE OF
THE MARSHALL FAMILY TRUST;
TIMOTHY LEE BAILEY; CONSTANCE
MARIE BAILEY; FRED BAILEY;
CAROLYN BAILEY; SADLER RANCH,
LLC; IRA R. RENNER; AND MONTIRA
RENNER,

Respondents.

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**RESPONDENTS SADLER RANCH, LLC, IRA RENNER, AND MONTIRA
RENNER PETITION FOR REHEARING**

District Court Case No. CV1902-348
(Consolidated with Case Nos. CV1902-349 & CV1902-350)

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TABLE OF CONTENTS

TABLE OF CONTENTS.....	iii
TABLE OF AUTHORITIES	iv
ISSUES	1
ARGUMENT	2
I. The Majority Misapprehended Facts Because Counsel Did Not Concede That The Record Lacks Impairment Evidence.....	2
A. The Majority Misapprehended Facts Because The Record Contains Undisputed Evidence That The GMP Will Impair Vested Rights.....	5
1. GMP Impairs Vested Rights Because It Allows Pumping Above The Perennial Yield And Continued Groundwater Drawdown.	5
2. Impairment Evidence Was Properly Referenced In Briefing And During Oral Argument.	7
B. The Majority Overlooked The Fact The District Court Found That The GMP Will Impair Vested Rights.....	9
C. The Completeness Of The Record About How The GMP Impairs Vested Rights Was Tainted By The State Engineer’s Refusal To Hold An Evidentiary Hearing.	10
D. The Majority Misapprehended The State Engineer’s Consideration Of The NRS 534.037 Factors.	13
II. The GMP Violates Nevada’s Constitutional Prohibition Of Takings That Redistribute Private Property From One Private Party To Another.	14
III. Major Changes To A Statutory Scheme Cannot Be Based On Oblique Statutory Language.....	16
CONCLUSION	17
CERTIFICATE OF COMPLIANCE.....	19
CERTIFICATE OF SERVICE	21
EXHIBIT INDEX	22

TABLE OF AUTHORITIES

Cases

<i>Allianz Ins. Co. v. Gagnon</i> , 109 Nev. 990, 860 P.2d 720 (1993)	8
<i>Application of Filippini</i> , 66 Nev. 17, 202 P.3d 535 (1949)	15
<i>Bass-Davis v. Davis</i> , 122 Nev. 442, 134 P.3d 103 (2006)	12
<i>Eureka Cnty. v. State Eng’r</i> , 131 Nev. 846, 359 P.3d 1114 (2015)	14
<i>In re Barker</i> , 839 F.3d 1189 (9th Cir. 2016).....	4
<i>JM v. Dep’t of Family Servs.</i> , 922 P.2d 219 (Wyo. 1996)	12
<i>Lobdell v. Simpson</i> , 2 Nev. 274 (1864).....	16
<i>Orr Ditch & Water Co. v. Justice Court of Reno TP., Washoe Cty.</i> , 64 Nev. 138, 178 P.2d 558 (1947)	17
<i>Pyramid Lake Paiute Tribe of Indians v. Ricci</i> , 126 Nev. 521, 245 P.3d 1145 (2010)	5
<i>Revert v. Ray</i> , 95 Nev. 782, 603 P.2d 262 (1979)	11
<i>Reyburn Lawn & Landscape Designers, Inc. v. Plaster Dev. Co., Inc.</i> , 127 Nev. 331, 255 P.3d 268 (2011)	4
<i>Skinner v. State</i> , 83 Nev. 380, 432 P.2d 675 (1967)	11
<i>W. Virginia v. Env’tl. Prot. Agency</i> , 142 S. Ct. 2587 (2022)	16
<i>Wilson v. Happy Creek</i> , 135 Nev. 301, 448 P.3d 1106 (2019)	15, 17

Statutes

NRS 47.250(3)	12
NRS 51.035(3)	4
NRS 533.035	4
NRS 533.085	2
NRS 534.037	10, 12, 13
NRS 534.110(7)	12

Other Authorities

32 C.S.J., Evidence § 552 (2022).....	4
BERNARD SCHWARTZ, ADMINISTRATIVE LAW § 7.8 (2d ed. 1984)	12
JAMES H. DAVENPORT, NEVADA WATER LAW 6-12 (Colo. River Comm’n 2003)	16

Regulations

NAC 533.240(1).....	11
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Constitutional Provisions

Nev. Const. Art. 1, Sec. 22	15
Nev. Const. Art. 1, Sec. 22(1).....	16
Nev. Const. Art. 1, Sec. 8(3).....	15

SADLER RANCH AND RENNER PETITION FOR REHEARING

Respondents Sadler Ranch and Renner respectfully request rehearing for three reasons. First, the Majority incorrectly concluded the Diamond Valley Groundwater Management Plan (“GMP”) will not impair vested water rights. The record clearly contains that evidence, and an evidentiary hearing is needed if more detailed impairment evidence is required. Second, Nevada’s Constitution *prohibits*, regardless of compensation, the taking of private property for the purpose of redistributing that property to other private property owners. Third, this Court’s Majority Opinion makes a *major change* – abrogating prior appropriation for groundwater in Nevada – without the quantum of legislative clarity that is required for such a landmark reversal.

ISSUES

1. Since counsel did not concede that the record lacks impairment evidence, did the Majority overlook or misapprehend the record when
 - a. the record contains uncontested evidence of impairment,
 - b. the District Court found the GMP will impair vested rights,
 - c. the State Engineer prohibited more specific impairment evidence from being in the record, and
 - d. the Majority erroneously concluded the State Engineer completed his own analysis of impairment, when he did not?
2. Did the Majority overlook a controlling provision of the Nevada Constitution when it concluded that compensation is a remedy for a taking of private property for redistribution to other private parties?

3. Did the Majority improperly allow an oblique provision of law to make a major change to the long-standing prior appropriation system in Nevada?

ARGUMENT

Rehearing is merited if this Court: (1) “overlooked or misapprehended a material fact in the record or a material question of law”, or (2) “failed to consider a statute, procedural rule, regulation or decision directly controlling a dispositive issue in the case.”¹ The Majority Opinion overlooked and misapprehended the record when it overturned the District Court’s order, and upheld State Engineer’s approval of the GMP.² For the following reasons, rehearing is merited.

I. The Majority Misapprehended Facts Because Counsel Did Not Concede That The Record Lacks Impairment Evidence.

The Majority correctly found that Nevada water law prohibits a GMP from impairing vested water rights.³ But then the Majority incorrectly relied, in part, on three statements made by Bailey’s counsel during oral argument⁴ to conclude that “respondents’ conceded that they never presented any evidence to the State Engineer or the District Court to show that the GMP here affected their vested water rights [i.e. impairment evidence].”⁵ The transcript from the Supreme Court oral argument

¹ NRAP 40(c)(2).

² Majority Op. at 6, 12 n.5, 16.

³ Majority Op. at 11-13. NRS 533.085 (Nevada’s statutory water right scheme shall not impair pre-statutory [i.e., vested] water rights.).

⁴ Majority Op. at 6.

⁵ Majority Op. at 16.

demonstrates these statements *were not* related to impairment evidence.⁶ The following dispositive portion of the transcript demonstrates this Court was probing a distinctly different issue – the quantification of water permits that were never placed to beneficial use:⁷

Mr. Mixson: . . . the problem with the *beneficial use violations of the GMP* is that, for example, these unused permits, or unused portions of permits, are given full allocations and shares . . . [e]ven though the holder of that permit has not proven its actual ability to put the water to *beneficial use*.

The Court (C.J. Hardesty): . . . was there a calculation made of the water rights that were incorporated in the GMP . . . for which . . . appropriate consideration of the *proof of beneficial use* had not been accomplished? . . .

Mr. Mixson: I um, understand your question. And the answer is **no. It was not quantified.** I think that is one of the fundamental deficiencies in the state engineer's . . . factual determination.

The Court (C.J. Hardesty): And did you request that when the state engineer was developing the plan?

. . .

Mr. Mixson: No. **They didn't raise it as an issue in their written comments.**

. . .

The Court (C.J. Hardesty): So did you raise a calculus of the type were talking about to the district court?

Mr. Mixson: . . . **I don't think** we – **it was raised as a specific issue** that the state engineer should have calculated . . .⁸

⁶ Supreme Court Oral Argument Transcript (“Tr.”) at 25:24-32:2 (attached as Exhibit 1) (emphasis added).

⁷ The specific statements that the Majority quoted to are shown in bold text.

⁸ Tr. at 25:24-28:3 (emphasis added).

The quotes that the Majority relies upon are actually answers related to Nevada’s beneficial use doctrine,⁹ not the impairment of vested rights.¹⁰ Baileys’ counsel argued that the GMP violates the beneficial use doctrine.¹¹ Chief Justice Hardesty questioned whether the record contained a quantification of the permits that were not placed to beneficial use.¹² Bailey’s counsel acknowledged that no specific quantification exists.¹³ Thus, the concessions referenced by the Majority were only related to beneficial use quantification.

Further, statements by Bailey’s counsel cannot constitute admissions by Sadler Ranch or Renner. Sadler Ranch and Renner were represented by separate counsel. Statements by Bailey’s counsel are not “deliberate, clear, unequivocal statements by” Sadler Ranch and Renner.¹⁴ Nor can statements by Bailey’s counsel constitute a “concrete fact within that party’s knowledge” about Sadler Ranch and Renner.¹⁵

Because the alleged concessions were material to the Majority’s analysis, rehearing is warranted.

⁹ NRS 533.035 (beneficial use is the “basis, the measure and the limit of the right to use water”).

¹⁰ Tr. at 25:24-32:2.

¹¹ Tr. at 26:1-6.

¹² Tr. at 26:6-14, 26:19-20.

¹³ Tr. at 26:15-18.

¹⁴ *Reyburn Lawn & Landscape Designers, Inc. v. Plaster Dev. Co., Inc.*, 127 Nev. 331, 343, 255 P.3d 268, 276 (2011).

¹⁵ *Id.* 127 Nev. at 343, 255 P.3d at 276; *see also, In re Barker*, 839 F.3d 1189, 1195 (9th Cir. 2016) (an admission is binding against the party who made it); 32 C.S.J., Evidence § 552 (2022) (“an admission of one party is not binding on, or evidence against, a coparty”).

A. The Majority Misapprehended Facts Because The Record Contains Undisputed Evidence That The GMP Will Impair Vested Rights.

1. GMP Impairs Vested Rights Because It Allows Pumping Above The Perennial Yield And Continued Groundwater Drawdown.

Uncontested evidence indicates that even the maximum pumping reductions in the GMP do not bring withdrawals in the basin below the perennial yield.¹⁶ The perennial yield is established to protect vested surface water rights from impairment by junior pumping.¹⁷ The failure of the GMP to reduce pumping to the perennial yield is an *ipso facto* impairment to vested rights. In Diamond Valley, the impairment from pumping above the perennial yield is even more clear. Groundwater and spring sources in Diamond Valley are hydrologically connected.¹⁸ Evidence clearly shows that many springs (including on Sadler Ranch) are dry because of over-pumping, while others (including Renner) are in imminent danger of the same fate.¹⁹

The specific evidence shows that the perennial yield of Diamond Valley is 30,000 acre-feet annually (“afa”), but the pumping will only be reduced to 43,500 afa under the GMP.²⁰ At least four exhibits in the record - (1) the GMP,²¹ (2) a 1968

¹⁶ App. vol. IV at JA0823.

¹⁷ *Pyramid Lake Paiute Tribe of Indians v. Ricci*, 126 Nev. 521, 527, 245 P.3d 1145, 1149 (2010).

¹⁸ App. vol. XI at JA2384-2385, *citing* App. vol. III at JA0641.

¹⁹ *Id.*; App. vol. IV at JA0906.

²⁰ App. vol. V at JA0988; *see also* App. vol. IV at JA0933-944.

²¹ Tr. at 52:13-15. The GMP is in the record at App. vols. III-IV at JA0530-840.

USGS study (aka Harrill report),²² (3) a 2016 USGS study,²³ and (4) the Turnipseed Engineering report²⁴ - show that the GMP's maximum pumping reductions will never bring withdrawals below the perennial yield, thereby impairing vested rights.²⁵

Sadler Ranch and Renner provided this information to the State Engineer.²⁶ Additionally, during public comment (the only input allowed by the State Engineer), their expert stated that the level of groundwater mining authorized *under the plan* will cause the permanent depletion of an additional 2.5 million acre-feet from the groundwater aquifer.²⁷ Further, Sadler Ranch and Renner provided photographs that show fissures on their land from subsidence caused by over-pumping.²⁸ The fissures capture water that could otherwise be used, thereby causing impairment.

²² Tr. at 52:22-25. The Harrill report is located in the record at App. vol. II at JA0333-446.

²³ Tr. at 52:9-11. The 2016 USGS study is in the record at App. vol. V at JA1056-1152.

²⁴ Tr. at 52:25-53:10. The Turnipseed Engineering report is in the record at App. vol. IV at JA0933-944.

²⁵ As noted during oral argument the 2016 USGS report states that the basin is out of balance by more than 61,000 afa, but the plan only reduces pumping to approximately 41,000 afa leaving a continuing imbalance of 20,000 afa. Tr. at 52:9-15. Likewise, the Turnipseed Engineering report concluded that the GMP "will not sufficiently reduce groundwater pumping to remove the CMA designation." App. vol. IV at JA0935-936. *See also* App. vol. XI at JA2270.

²⁶ App. vol. V at JA0975-976, 984, 986, 988-989, 1034-1036, 1037.

²⁷ App. vol. V at JA0988. *See* Sadler/Renner Answering Br. at 40-41.

²⁸ App. vol. IV at JA0919, 946-954. Sadler Ranch specifically referenced evidence of its claim of harm from subsidence, which the State Engineer excluded from the record provided the District Court. *Id.* at JA0919 n.35. Others also provided photographic evidence of subsidence across the basin. *Id.* at JA0962-965. *See also*, *Id.* at JA0955.

Importantly, the GMP itself recognizes that vested rights are harmed by “groundwater exploitation” from junior pumping.²⁹ Even with mitigation water rights, as groundwater levels continue to decline, vested water right owners are forced to incur greater power and maintenance costs to access water from lower depths.³⁰ Proponents of the plan did not counter these arguments or present any evidence of non-impairment.

2. Impairment Evidence Was Properly Referenced In Briefing And During Oral Argument.

Even though the Majority Opinion states that Sadler Ranch, Renner, and Bailey failed to cite to this evidence,³¹ the evidence was cited in briefs and at oral argument.³² Sadler Ranch and Renner made specific reference to at least four exhibits in the record: (1) the GMP,³³ (2) a 1968 USGS study (aka Harrill report),³⁴

²⁹ App. vol. III at JA0641; App. vol. IV at JA0806.

³⁰ The State Engineer has granted several permits to allow the pumping of groundwater to ‘mitigate’ the impairment for lost springs, but those permits do not make vested rights whole. App. vol. II at JA0452-459. Even where ‘mitigation’ rights have been awarded, evidence was offered that vested rights remain impaired. *See* Sadler/Renner Answering Br. at 50-51; App. vol. V at JA 0975:17-JA0976:2, 984:10-16, 1034:21-1035:17; App. vol. XI at JA2337:5-8; 2338:17-2339:9, 2404:13-2405:6.

³¹ Majority Op. at 12 n.5.

³² Sadler/Renner Answering Br. at 2, 6, 8-9 (supported by citations in footnotes 2-5, 12-15, 25-29); Sadler/Renner Answering Br. at 32-36, 39-41, 50-51 (supported by citations in footnotes 118-132, 146-156, 182-183); Tr. at 53:4-10.

³³ Tr. at 52:13-15. The GMP is in the record at App. vols III-IV at JA0530-840.

³⁴ Tr. at 52:22-25. The Harrill report is located in the record at App. vol. II at JA0333-446.

(3) a 2016 USGS study,³⁵ and (4) the Turnipseed Engineering report.³⁶ Bailey also referenced impairment evidence in briefing.³⁷ When Sadler Ranch and Renner's counsel referenced this evidence during oral argument, he noted that *at the end of the plan* the pumping deficit remains above 20,000 afa.³⁸ Thus, impairment evidence clearly exists and was properly referenced.³⁹

The Majority overlooked or misapprehended this evidence of impairment to vested rights. Therefore, rehearing is merited.

³⁵ Tr. at 52:9-11. The 2016 USGS study is in the record at App. vol. V at JA1056-1152.

³⁶ Tr. at 52:25-53:10. The Turnipseed Engineering report is in the record at App. vol. IV at JA0933-944.

³⁷ Bailey Answering Br. at 21, 74-78 (citing App. vol. II at JA0329, App. vol. XI at JA2403-2405).

³⁸ Tr. at 52:7-20.

³⁹ This case is distinguishable from *Allianz Ins. Co. v. Gagnon*, 109 Nev. 990, 860 P.2d 720 (1993). In *Allianz*, the Court found that the evidence presented at trial did not support the allegations in the case, proving respondents made false allegations, and that the opening brief on appeal contained no cites to the record or the appendix. *Id.*, 109 Nev. at 996, 860 P.2d at 724. As explained herein, Sadler Ranch and Renner presented evidence at the State Engineer's hearing that the GMP harms vested rights, the District Court cited to the record in finding that the GMP harms vested rights, the opposing parties admitted the pumping under the GMP continues to harm vested rights, and all briefs and oral arguments by respondents included cites to evidence of impairment. *See* App. vol. IV at JA0919, 946-954; App. vol. V at JA0975-976, 984, 986, 988-989, 1034-1036, 1037. App. vol. VII at JA1390-1394, 1407:3-1408:3, 1412:7-1413:12; App. vol. IX at JA1794:3-1795:12, 1809:15-1810:15; App. vol. XI at JA2384-2385, 2389-2390, 2403-2405; Sadler/Renner Answering Br. at 32-36, 39-41, 50-51; Tr. at 52-53.

B. The Majority Overlooked The Fact The District Court Found That The GMP Will Impair Vested Rights.

The District Court found the GMP will impair vested rights because the GMP's "annual pumping allocation will certainly cause the aquifer groundwater level to decline with continuing adverse effects on vested surface water rights."⁴⁰ After its review of the uncontested evidence,⁴¹ the District Court found that: 1) the State Engineer cannot approve a plan that impairs vested rights;⁴² 2) all parties agree that pumping above the perennial yield impairs vested water rights;⁴³ and 3) all parties agree that the GMP authorizes continued pumping above the perennial yield.⁴⁴ The District Court relied upon the uncontested fact that the plan at best reduces pumping to 150% of the perennial yield.⁴⁵ Thus, "for 35 years the pumping in Diamond Valley [under the GMP] will exceed the 30,000 af perennial yield."⁴⁶ As such, the District Court concluded that "the [GMP] and Order 1302 impairs senior vested rights" and thus "Order 1302 is arbitrary and capricious."⁴⁷

⁴⁰ App. vol. XI at JA2405:3-5 ("The [GMP]'s annual pumping allocation will certainly cause the aquifer groundwater level to decline with continuing adverse effects on vested surface water rights.").

⁴¹ App. vol. XI at JA2403:4-2405:7.

⁴² App. vol. XI at JA2404:4-12.

⁴³ App. vol. XI at JA2384-2385, *citing* App. vol. III at JA0641 and Ruling 6290, 23-31. *See also* App. vol. XI at JA2389:1-3.

⁴⁴ App. vol. XI at JA2389:1-3, 2403:5-2404:3, 2404:12-2405:7. *See also* App. vol. IV at JA0823 (the pumping chart in the GMP never reduces pumping below 30,000 afa even without accounting for the rights excluded from the plan).

⁴⁵ At the end of the plan, pumping exceeds the yield by 4,200 afa. Pumping from rights not including in the plan add over 11,400 afa. Pumping thus totals 45,600 afa under the GMP in a basin with a yield of 30,000 afa. App. vol. XI at JA2404:13-18.

⁴⁶ App. vol. XI at JA2389:1-3.

⁴⁷ App. vol. XI at JA 2405:5-7.

The District Court's impairment finding was supported by substantial evidence because the District Court relied upon admissions of the State Engineer in Ruling 6290, and admissions in the GMP, that vested rights are impaired by groundwater pumping above the perennial yield.⁴⁸ These admissions are bolstered by the evidence of impairment provided by Sadler Ranch, Renner, and Bailey.⁴⁹ Since the District Court's findings are unrefuted and supported by substantial evidence,⁵⁰ rehearing is warranted to uphold the District Court's finding that the GMP will impair vested water rights.

Alternatively, rehearing is merited for this Court to remand with instructions that the GMP be amended to include pumping restrictions that do not cause impairment with vested rights.

C. The Completeness Of The Record About How The GMP Impairs Vested Rights Was Tainted By The State Engineer's Refusal To Hold An Evidentiary Hearing.

Sadler Ranch and Renner alleged below that NRS 534.037 required the State Engineer to hold a hearing "to take testimony" on the GMP.⁵¹ The record clearly shows that the State Engineer did not hold an evidentiary hearing regarding the

⁴⁸ App. vol. XI at JA2384-2385, *citing* App. vol. III at JA0641 and Ruling 6290, 23-31. *See also* App. vol. XI at JA2389:1-3.

⁴⁹ App. vol. XI at JA2389:15-2390:12; App. vol. IV at JA0919, 933-955, 962-965; App. vol. V at JA0975-976, 984, 986, 988-989, 1034-1036, 1037.

⁵⁰ App. vol. XI at JA2389:1-3, 2403:5-2404:3, 2404:12-2405:7.

⁵¹ Sadler/Renner Answering Br. at 52-53.

GMP.⁵² Even though the State Engineer’s own regulations specify that public comment is not “testimony,”⁵³ his office only allowed public comment, not the introduction of testimony or evidence.⁵⁴ No witnesses were allowed, no cross-examination was allowed, and no procedures existed for submitting, authenticating, or objecting to evidence.⁵⁵

This Court’s review of a State Engineer decision “presupposes the fullness and fairness of the administrative proceedings.”⁵⁶ When the State Engineer denies a full and fair opportunity to be heard, this Court should not hesitate to intervene.⁵⁷ Such intervention is clearly merited here, since the Majority expected more detailed evidence about how the GMP will affect “specific surface water rights.”⁵⁸ The State Engineer tainted the record by not allowing Sadler Ranch’s expert to testify about

⁵² App. vol. V at JA0968:9-16. Note, the failure to cite the record in *Allianz* was relevant to sanctions against attorneys, and is based on a Supreme Court Rule that no longer exists and appears to be replaced by less strict provisions under NRAP 28. *Allianz*, supra, 109 Nev. at 997, 860 P.2d at 725 citing *Skinner v. State*, 83 Nev. 380, 384 n.4, 432 P.2d 675, 677 n.4 (1967) (relying upon SCR 23(1), which was repealed in 1973, and previously held that “a brief must designate the page and line, or the folio, in the record where the evidence or matter referred to may be found, and in case of failure to do so the court may ignore the point made”). Even if the record was not properly cited in a brief, as noted in *Skinner*, this Court may consider the uncited argument when “it concerns important rights of appellant, not counsel.” *Skinner*, 83 Nev. at 384, 432 P.2d at 677.

⁵³ NAC 533.240(1).

⁵⁴ App. vol. V at JA0968:9-16 (describing the meeting procedures which only allowed participants to “give public comment”).

⁵⁵ App. vol. XI at JA2272.

⁵⁶ *Revert v. Ray*, 95 Nev. 782, 787, 603 P.2d 262, 264 (1979).

⁵⁷ *Id.*

⁵⁸ Majority Op. at 12 n.5.

the “extent to which the GMP affected respondents vested water rights.”⁵⁹ Then, the State Engineer doubled-down when he excluded relevant impairment evidence from the record on appeal to preclude Sadler Ranch and Renner from using that evidence at the District Court.⁶⁰

Additionally, the burden should not be placed on vested water rights owners to prove impairment from a GMP. Rather, the proponents of the plan have the burden to prove non-impairment.⁶¹ The proponents offered no such evidence, except to claim the plan does not require pre-statutory right holders to participate in pumping reductions.⁶² This solitary retort can hardly overcome the overwhelming and undisputed evidence that the GMP perpetuates the drawdown in Diamond Valley, and continues to impair vested water rights.⁶³

⁵⁹ *Id.*

⁶⁰ *See* App. vol. VI at JA1286-1314 App. vol. V at JA0970:13-15. This evidence included a model on file at the State Engineer’s office (App. vol. IV at JA0923-924), a report of land subsidence cited by Sadler Ranch (*Id.* at JA0919), and evidence of harm to vested rights in the State Engineer files (Ruling 6290, App. vol. II at JA0452-459). *See Bass-Davis v. Davis*, 122 Nev. 442, 448, 134 P.3d 103,106 (2006) (“When evidence is willfully suppressed, NRS 47.250(3) creates a rebuttable presumption that the evidence would be adverse if produced.”). App. vol. VI at JA1369-1378.

⁶¹ NRS 534.037 (a GMP must set forth the necessary steps for removal of the CMA designation); NRS 534.110(7) (State Engineer “shall designate as a critical management area any basin in which withdrawals of groundwater consistently exceed the perennial yield of the basin”); *JM v. Dep’t of Family Servs.*, 922 P.2d 219, 221 (Wyo. 1996) (citing BERNARD SCHWARTZ, ADMINISTRATIVE LAW § 7.8 (2d ed. 1984)).

⁶² App. vol. VII at JA1518:21-23. *See generally* App. vol. V at JA0966-1055. *See specifically* App. vol. V at JA0975:7-16 (noting that the only evidence submitted by the plan proponents for review was the GMP itself).

⁶³ Tr. at 44:6-21.

The Majority declined to address the tainted record based on a misapprehension of an undisputed and material fact in the record (that an evidentiary hearing was not held) and a material question of law (that NRS 533.037 required evidence to be taken in the form of “testimony”).⁶⁴ The tainted record was raised below and to this Court.⁶⁵ Therefore, rehearing is merited for this Court to amend its disposition and remand with instructions that a proper evidentiary hearing be held.

D. The Majority Misapprehended The State Engineer’s Consideration Of The NRS 534.037 Factors.

The Majority misapprehended the facts in the record when it concluded that the State Engineer found the GMP “would reduce withdrawals *to* the Basin’s perennial yield,”⁶⁶ as required by NRS 534.037. The State Engineer did not make that conclusion; he only noted that pumping under the plan will lead to “groundwater pumping *approaching* the perennial yield.”⁶⁷ This State Engineer finding prompted the District Court to conclude the GMP does *not* bring pumping below the perennial yield.⁶⁸

The Majority also misapprehended the record regarding the State Engineer’s consideration of the NRS 534.037 factors.⁶⁹ The Majority incorrectly believed that the State Engineer “methodically considered the NRS 534.037 factors” including a

⁶⁴ Majority Op. at 10 n.3.

⁶⁵ See Sadler/Renner Answering Br. at 5, 52-53. See also App. vol. IX at JA1813:11-1814:9; App. vol. VII at JA1422:13-1423:6.

⁶⁶ Majority Op. at 18 (emphasis added).

⁶⁷ App. vol. I at JA0115 (emphasis added).

⁶⁸ App. vol. I at JA0030; App. vol. XI at JA2389:1-3, 2393-2394, 2404:12-2405:6.

⁶⁹ Majority Op. at 17-18.

hydrologic analysis.⁷⁰ He did not. Sadler Ranch and Renner raised this issue before the District Court,⁷¹ and pointed out that the State Engineer expressly conceded that no hydrologic analysis of the plan was *ever* performed.⁷² The State Engineer relied on only the GMP's description of the NRS 534.037 factors,⁷³ which was drafted *before* the GMP pumping reductions were established.⁷⁴ The District Court agreed that the State Engineer did not perform his own analysis.⁷⁵ Specifically, the District Court found that the "State Engineer admits that neither groundwater modeling nor hydro geologic analysis were the basis for the DVGMP."⁷⁶ Therefore, rehearing is merited.

II. The GMP Violates Nevada's Constitutional Prohibition Of Takings That Redistribute Private Property From One Private Party To Another.

The Majority also failed to consider a controlling provision of the Nevada Constitution, even though this issue was raised by Sadler Ranch and Renner.⁷⁷ Nev.

⁷⁰ Majority Op. at 17-18.

⁷¹ App. vol. VII at JA1398 n.59, 1796:2-4, 1808:7-1811:15. The issue was also raised before this Court. Sadler/Renner Answering Br. at 4, 41-43.

⁷² App. vol. I at JA0027 ("Groundwater modeling and hydrologic analysis are not the basis for the GMP's determination of pumping reduction rates and target pumping totals at the end of the plan.").

⁷³ *Id.* at JA0029 ("The State Engineer finds that Appendix D to the GMP sufficiently describes [the NRS 534.037 factors].").

⁷⁴ App. vol. XI at JA2339-2341 (discussing how Appellants' counsel admitted during the District Court hearing that Appendix D was written *before* the rest of the GMP and thus could not be considered a methodical analysis of its effects.). See *Eureka Cnty. v. State Eng'r*, 131 Nev. 846, 855, 359 P.3d 1114, 1120 (2015) (State Engineer decisions must be made upon presently known evidence).

⁷⁵ App. vol. XI at JA2404:12-2405:6.

⁷⁶ App. vol. XI at JA2404:18-20.

⁷⁷ Majority Op. at 16; Sadler/Renner Answering Br. at 51-52.

Const. Art. 1, Sec. 22, controls a dispositive issue in this case because it *prohibits* any branch of state government from effectuating the redistribution of private property, irrespective of whether compensation is paid. Redistribution of property rights is at the heart of the GMP.⁷⁸ If NRS 534.037 and 534.110(7) unambiguously authorize the taking of the real property rights of one person (senior right holders) and giving them to another (juniors), the statutes are facially unconstitutional.⁷⁹

The Nevada Constitution prohibits the State from confiscating private property unless that property is being taken for a “public use.”⁸⁰ The Constitution further states that a redistribution of property between private parties is not a “public use.”⁸¹ This provision is directly controlling and dispositive here, and the Majority failed to address it.⁸² Instead, the Majority concluded that if a taking did occur, compensation would be an adequate remedy.⁸³ However, compensation cannot overcome a taking that is prohibited because Article 1, Section 22, unambiguously prohibits all branches of state government, including the Legislature and this Court, from adopting, approving, reinstating, or enforcing any GMP that has the effect of

⁷⁸ Majority Op. at 4-5.

⁷⁹ Nev. Const. Art. 1, Sec. 22. Water rights are clearly real property. *Application of Filippini*, 66 Nev. 17, 202 P.3d 535 (1949) (water rights are regarded *and protected* as real property); *Wilson v. Happy Creek*, 135 Nev. 301, 313, 448 P.3d 1106, 1115 (2019) (the priority of a water right is its most important feature).

⁸⁰ Nev. Const. Art. 1, Sec. 8(3).

⁸¹ Nev. Const. Art. 1, Sec. 22.

⁸² This issue was raised in the Sadler/Renner Answering Brief at 51-52.

⁸³ As the Majority notes (Majority Op. at 12 n.5), and Respondents conceded (Tr. at 40:24-41:4), *claims for compensation* may be brought and decided in a subsequent inverse condemnation action. Such an action presumes, however, that the taking does not violate Art. 1, Sec. 22.

redistributing property between private individuals.⁸⁴ Therefore, rehearing should be granted to consider Article 1, Section 22's dispositive effect.

III. Major Changes To A Statutory Scheme Cannot Be Based On Oblique Statutory Language.

After the Majority issued its opinion, the U.S. Supreme Court held that “oblique or elliptical language” cannot be used to make fundamental changes to a statutory scheme.⁸⁵ Here, the Majority relied on a single conditional clause in a single statute to overturn 155 years of water law, turning management of Nevada's most precious resource over to a simple majority of water users who are over-pumping a basin.⁸⁶ The Majority Opinion reverses prior appropriation for groundwater in Nevada⁸⁷ at the only time it matters – in a shortage.⁸⁸ Statutes that deviate from a long-standing doctrine should be strictly construed because “[t]he Legislature is presumed not to intend to overturn long-established principles of law

⁸⁴ Nev. Const. Art. 1, Sec. 22(1) (“Public use” excludes transfer “from one private party to another private party.”).

⁸⁵ *W. Virginia v. Envtl. Prot. Agency*, 142 S. Ct. 2587 (2022).

⁸⁶ Majority Op. at 10.

⁸⁷ Majority Op. at 19.

⁸⁸ Sadler/Renner Answering Br. at 16-32. *See Lobdell v. Simpson*, 2 Nev. 274 (1864) (recognizing and defining prior appropriative rights); *see also* JAMES H. DAVENPORT, NEVADA WATER LAW 6-12 (Colo. River Comm'n 2003) (describing the common law development of the prior appropriations doctrine in Nevada). Note, Prior appropriation was not, and has never been, an obstacle to good water management. The problem in Diamond Valley is based on decades of non-action by the State Engineer, and not the failure of the prior appropriation doctrine. App. vol. XI at JA2384-2385.

when enacting a statute.”⁸⁹ The Legislature never discussed or approved a repeal of the entire statutory scheme that codified long-standing common law.⁹⁰ Therefore, Sadler Ranch and Renner respectfully request that this Court grant rehearing and invite briefing from amici’s to fully consider the statewide impacts of such a momentous decision.

CONCLUSION

For the reasons stated herein, Respondents respectfully request that rehearing be granted.

⁸⁹ *Happy Creek, Inc.*, 135 Nev. at 307, 448 P.3d at 1111. *See also Orr Ditch & Water Co. v. Justice Court of Reno TP., Washoe Cty.*, 64 Nev. 138, 164, 178 P.2d 558, 570 (1947).

⁹⁰ Importantly, the Majority did not just exempt GMP’s from prior appropriation doctrine, it also found that by including a single phrase in a statute the Legislature exempted GMP’s from *all other statutory provisions* of the groundwater law including: (1) the beneficial use doctrine, (2) requirements that water be diverted from a single point, used at a specific place, for a specific use, and (3) permitting and change application requirements. Majority Op. at 10-11, 19; Sadler/Renner Answering Br. at 43-51.

AFFIRMATION

The undersigned does hereby affirm that the preceding document does not contain the social security number of any person.

DATED this 19th day of July 2022.

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CERTIFICATE OF COMPLIANCE

1. I hereby certify that this petition complies with the formatting requirements of NRAP 32(a)(4), the typeface requirements of NRAP 32(a)(5), and the type style requirements of NRAP 32(a)(6) because this answering brief has been prepared in a proportionally spaced font using Microsoft Word 2016 in 14-point Times New Roman font.

2. I further certify that this petition complies with the page/volume limitations of NRAP 40(b)(3) because the petition contains no more than 4,667 words excluding the title page, affirmation, this certificate of compliance, and the certificate of service.

3. Finally, I hereby certify that I have read this petition, and, to the best of my knowledge, information, and belief, it is not frivolous or interposed for any improper purpose. I further certify that this petition complies with all applicable Nevada Rules of Appellate Procedure, in particular NRAP 40(b).

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I understand that I may be subject to sanctions in the event that the accompanying answering brief is not in conformity with the requirements of the Nevada Rules of Appellate Procedure.

DATED this 19th day of July 2022.

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CERTIFICATE OF SERVICE

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EXHIBIT INDEX

<u>Exhibit</u>	<u>Description</u>	<u>Pages</u>
1.	Supreme Court Oral Argument Transcript	96

EXHIBIT 1

EXHIBIT 1

In the Matter Of:

Diamond Valley Groundwater Management

AUDIO-RECORDED HEARING

Job Number: 892679

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TRANSCRIPT OF AUDIO-RECORDED
HEARING BEFORE THE EN BANC COURT, CHIEF JUSTICE
HARDESTY PRESIDING

IN THE MATTER OF DIAMOND NAT. RES. PROT. AND
CONSERVATION ASSOCIATION V. DIAMOND VALLEY RANCH, LLC
JUNE 2, 2022

Job No. 892679

1 [Part 1]

2

3 MS. LEONARD: And I wish to reserve 10 minutes of
4 my time for rebuttal.

5 THE COURT: Fine. Thank you, Ms. Leonard.

6 MS. LEONARD: Good morning, Your Honors, and may
7 it please the Court. My name is Debbie Leonard on
8 behalf of the appellants. Also present in the
9 courtroom today are some of the Diamond Valley farmers
10 whose livelihoods are at stake in this matter.

11 May 12th, 1960, that is a critical date in
12 Diamond Valley because it represents the difference
13 between a prospering agricultural community and the
14 loss of many livelihoods with associated effects on
15 Eureka County. Why is that?

16 Throughout the 1960s, many people were starting
17 to farm in Diamond Valley and obtaining permits from
18 the state engineer to appropriate groundwater. People
19 were successful in working the land, and Diamond
20 Valley thrived. But Diamond Valley has been more
21 successful than the aquifer can sustain.

22 The state engineer has determined that 30,000
23 acre feet annually is the basin's perennial yield. And
24 May 12th, 1960 is the date on which the state engineer
25 had cumulatively issued 30,000 acre feet of

1 groundwater appropriations. As a result, May 12th,
2 1960 became a line of demarcation between senior and
3 junior appropriators.

4 So under strict application of the prior
5 appropriation doctrine, those water rights that
6 postdate May 12th, 1960 would be cut off in a process
7 known as curtailment. So what would that look like?

8 Well, I refer the Court to Appendix F of the GMP,
9 and you will see two things on there. First you will
10 see that 81 percent of the permits that have been
11 issued for groundwater in Diamond Valley fall below
12 this cutoff line. So curtailment would gravely affect
13 many people and also Eureka County.

14 The second thing you will see is the sheer number
15 of appropriations that occurred around the -- within a
16 small window of time, 1960 to 1961. Meaning that the
17 juniors, some of whom come within just days of the
18 cutoff line, and have been diligently working the land
19 for 60 years under dually issued permits would lose
20 everything.

21 So why do I start with this? Well, this is the
22 problem the legislature was trying to solve in 2011
23 when it passed AB419. They wanted to address over-
24 appropriation and the impacts on the groundwater
25 resources. But they also wanted to avoid the

1 devastating impacts of curtailment by priority in
2 groundwater basins if it were strictly enforced.

3 This legislative intent is the lens through which
4 the Court must view the statute. The district court
5 made no effort to analyze the legislative intent, it
6 only speculated as to what the legislature did not
7 intend.

8 THE COURT: Well, if they intended, uh, to
9 affect, uh -- uh, invested rights, wouldn't they have
10 said so? Uh, if they wanted to affect prior
11 appropriation, they could've expressly, uh, said that
12 in the statutes, uh, throughout chapter 533 and 534.
13 Uh, make it very clear, prior appropriation, first in
14 time, first in line.

15 MS. LEONARD: So I think the -- let's look at the
16 statutory language. Because I think it -- they do say
17 that specifically. They say that -- well, first of
18 all, AB419 created this critical management area
19 designation that did not previously exist.

20 And then if a basin has been designated a
21 critical management area for at least 10 consecutive
22 years, the legislative required the state engineer to
23 limit withdrawals, uh, to restrict them to conform to
24 priority rights. And this is the key language, unless
25 a groundwater management plan has been approved for

1 the basin pursuant to NRS 534.037.

2 So this language expressly authorizes an engineer
3 to not conform to priority rights, but only in very
4 limited circumstances. Where there's a CMA
5 designation, and so long as the groundwater management
6 plan complies with this language of the statute, uh,
7 in NRS 534.037. And if you turn to that, I think it's
8 important to see what these limited circumstances of
9 making an exception to prior appropriation, what they
10 look like.

11 First, the legislature said, uh, it allowed a
12 simple majority of permit and certificate holders to
13 petition for approval of a GMP. So the legislature
14 said, you know, prior appropriation presents this
15 intractable problem of how do we address the situation
16 we're in where the resources are affected, but there
17 are, um -- but if we enforce strict appropriation, it
18 would be devastating? And they said -- the
19 legislature said, let's put the onus on the local
20 community to come up with a solution that works for
21 them.

22

23 [Part 2]

24

25 MS. LEONARD: Now the legislature, uh, by

1 requiring majority approval, it made it clear it did
2 not expect everybody to be on board. Uh, the
3 legislature could have set the number higher than a
4 majority, it could have required all the senior right
5 holders to, uh, have signed on to a petition. But
6 that's not what it did.

7 And this G- -- GMP though, I think it's important
8 to note that it wasn't approved just by a simple
9 majority. It was approved by a majority of senior
10 right holders. So the only seniors to have challenged
11 the GMP in all of Diamond Valley are the Baileys, and
12 they are a respondent here.

13 Sadler Ranch and the Renners are not senior
14 groundwater users, uh, of rights that are subject to
15 the GMP. So I just want to make that clear that the
16 only seniors to challenge it are one of the
17 respondents here. So, um, importantly, also the GMP
18 honors priorities, it has this priority factor that
19 was a major point of debate during the GMP development
20 process. And it was what a majority could agreed to.

21 THE COURT: Let me pause you there though. Um,
22 first of all, the GMP never equalizes, not even in 35
23 years, the over-pumping issue. You're still not
24 underwater, but, um, over the approp- -- the -- the
25 amount that basin can sustain, even 35 years from now.

1 Um, so could you comment on that, and how that fits in
2 the statutory scheme, and your discussion of the
3 legislators' object here?

4 MS. LEONARD: Sure. Um, the GMP does bring the
5 basin into balance within 35 years. The, um -- the
6 benchmark reduction table, that I think Your Honor was
7 referring to, is not accounting for, um, recharging to
8 the aquifer. So it doesn't, uh -- the ca- -- when when
9 you look at just consumptive use, and that -- um,
10 there's actually another table that's located, and,
11 um, I think it's at, um, joint appendix volume 4,
12 pages 838 to 839.

13 It'll show you that when you take into account
14 consumptive use, only then -- and -- and recharging to
15 the aquifer, then it will bring the basin within
16 30,000 acre feet, uh, within the timeframe set forth
17 in the -- in the GMP.

18 THE COURT: But it -- that point is reached in 35
19 years. So there are 35 years in which it's in
20 imbalance.

21 MS. LEONARD: That is correct. Um, that -- there
22 are benchmark reductions, they might be more
23 aggressive. But under the table that is, uh, in the
24 appendix and in the GMP, it would take 35 years.

25 Now the -- the district court said that that

1 complies with the statute. And if you look at the
2 statutory language, it makes very clear that you don't
3 have to bring it back -- a basin into balance right
4 away. And of course, that makes sense because if you
5 were to -- going to that would be curtailment -- 100
6 percent curtailment immediately, which is what the
7 legislature was trying to avoid. Um --

8 THE COURT: So could it be 100 years?

9 MS. LEONARD: Um, I think, Your Honor, that
10 brings into -- into focus the next point that I wanted
11 to make, is that there are very -- uh, the legislature
12 set very, um, sturdy guardrails by which the state
13 engineer was -- should approve a GMP, and has to take
14 into account a number of factors. And the criteria are
15 listed. Um, but the hydrology, the physical
16 characteristics of the basin.

17 So your question with regard to 100 years, would
18 -- um, it would be on a case by case basis, based on
19 the hydrology, the geology, the we- -- the
20 withdrawals, the -- an individual basin, um, what can
21 it -- wha- -- what is appropriate for that basin.

22 THE COURT: Now, it was striking reading the
23 record in the Harold report from 1960 where exactly --
24 where it was viewed that we would be, and that we were
25 then. And yet we're taking another 35 years forward

1 into the future. And it's difficult, um, and -- and
2 there's no money there for the senior water rights
3 holders. The state has not committed any money. So the
4 Lewis case seems distinguishable on its face to me.

5 MS. LEONARD: Your -- Your Honor mentioned a
6 number of things. I think the very first thing that
7 you mentioned with regard to -- I -- I would
8 characterize it as how we got to this situation. I
9 think the legislature was very clear that it wasn't
10 interested in looking backwards. It wanted to look
11 forward.

12 And so it wasn't, you know, criticizing the state
13 engineer for how it -- things had been managed in the
14 past. It was saying, this is the situation, how are we
15 going to solve it? And, uh, I think it's a very
16 forward-looking piece. Um, with regard to money for
17 the seniors, I -- I want to be very clear that, uh,
18 the legislature has had and has modified the prior
19 appropriation doctrine under certain circumstances.

20 I think that, um, the most recent change, the
21 2019 amendment to NRS 5344.110, regarding domestic
22 well holders is a really good example of this. Because
23 what that says is that, um, even if the state engineer
24 curtails priorit- -- by priority in a basin, such that
25 a senior, for example, irrigator would get zero, a

1 domes- -- junior domestic well owner could still pump.

2 And that is a -- a perfect example of where the -
3 - the legislature, as a policy matter, prioritized
4 that we don't want domestic well owners to, uh -- to
5 suffer, and so we are going to make sure they get
6 water even when something's curtailed.

7 THE COURT: But that one -- that's more explicit
8 though than they've been in this statute.

9 MS. LEONARD: I absolutely agree with you on
10 that. Um, but I think the key thing to keep in mind is
11 the legislature recognized that individual basins have
12 very specific, you know, characteristics, be they, um,
13 hydrology, geology, social, economic, where the wells
14 are located, all sorts of different things. Um, and
15 the legislature really put this in the hands of local
16 people. I think that's very clear, that's where the
17 majority language comes into play.

18 It's -- it basically said, figure it out. And, um
19 -- and so I think the -- where it's -- where the
20 language specifically says that the state engineer
21 does not have to conform to priorities. While it's not
22 as specific as the domestic well statute, I think it
23 is certainly in line with where elsewhere the
24 legislature has departed from prior appropriation in
25 limited circumstances.

1 THE COURT: Is it your contention that the
2 statute deserves a plain meaning reading, and that
3 supports your position? Or are you saying it's
4 ambiguous and we need to resort to legislative
5 history?

6 MS. LEONARD: I think the plain meaning of the
7 statute is clear when it says, unless a GMP has been
8 approved, uh, pursuant to the statute, that there's --
9 the state -- state engineer does not have to conform
10 to priorities. I think that is clear that it allows
11 for a GMP, just as we're seeing, as we see here.

12 THE COURT: I'm taking up a lot of your time. But
13 could you walk me through the plain language analysis
14 that you believe is so clear?

15 MS. LEONARD: Uh, yes, Your Honor. So the -- um,
16 if you look at this -- the language, it says, if a
17 basin has been designated as a critical management
18 area for at least 10 consecutive years, the state
19 engineer shall order that withdrawals, including
20 without limitation, withdrawals from domestic wells be
21 restricted in that basin to conform to priority
22 rights. Comma, unless.

23 And then after unless it says, unless a
24 groundwater management plan has been approved for the
25 basin pursuant to NRS 534.037. Now, if the legislature

1 just wanted to have the state engineer curtail by
2 priority, it didn't need to do anything because that
3 was already the law. If it wanted to just get the
4 state engineer acting more quickly, it could have just
5 created this critical management area designation and
6 not provided for the GMP process.

7 It would have just stopped there. Right? Said,
8 state engineer, get it done, designate them as
9 critical management areas, and give -- and then 10
10 years later, you have to start curtailing, get them
11 time to get their affairs in order. But that's not
12 what it did. It's this whole new process of a GMP that
13 it didn't have to provide for and that didn't exist in
14 the law before. And so, um --

15 THE COURT: But aren't -- aren't there things
16 that a GMP can do other than, um, overturn priorities?
17 In other words, the fact that it allowed for a
18 groundwater management plan, why does that necessarily
19 imply that that's an -- an intent to, um, allow
20 variation from priorities?

21 MS. LEONARD: Uh, well, I think a number of
22 things, uh, would address that. First that it says, a
23 principle of statutory construction that when the
24 statute says -- provides -- creates criteria, has
25 language that specifies how things should be done,

1 that it's at the exclusion of other things. So I think
2 that's sort of the -- the basic premise.

3 I think there's also a practical piece of this
4 too. That the, um -- as a practical matter, the
5 seniors consume all 30,000 acre feet. If they don't
6 change their behavior, the only way that you can get a
7 basin into balance is by 100 percent curtailment. So
8 that's the status quo.

9 The legislature clearly wanted to do something
10 different than that. And so it doesn't matter if the
11 juniors conserve 10 percent, 20 percent, 80, 90
12 percent, even if they're conserving 99.9 percent,
13 which is essentially curtailment by another name,
14 you're still exceeding the perennial yield. So again,
15 it goes back to, why did the legislature create this
16 new process that didn't exist in the law?

17 THE COURT: Well, couldn't it be, uh -- uh, for
18 instance, uh, trying to encourage, uh, community-based
19 solutions? And in doing that, uh -- uh, trying to get
20 the senior holders to work with the junior holders?
21 And is it -- why isn't it possible for that to happen?

22 Senior, uh, holders and the junior holders get
23 together and say, here's a, uh -- a groundwater
24 management plan that doesn't affect prior
25 appropriations, but we're all -- it may affect prior

1 appropriations, but we all agree to this?

2 MS. LEONARD: Well, I think a key, uh, response
3 to that is that one of the criteria that the -- the
4 legislature put out -- put in this -- the legislation
5 is that it -- the plan has to take the steps necessary
6 to remove the CMA designation. If you're relying
7 exclusively on voluntary reductions by seniors, you
8 can't get there, because they don't have to
9 voluntarily do anything.

10 So if you present to the state engineer a GMP
11 that says, well, we hope to work together with the
12 seniors to get them to reduce their pumping, you're
13 not going to be able to say, or the state engineer
14 won't be able to say, I can tell that this is going to
15 take the necessary steps to reducing for the --

16 THE COURT: But for the overall health of the
17 basin, why can't they do that?

18 MS. LEONARD: They certainly can do that.

19 THE COURT: They would be interested, I'm sure,
20 in making sure the basin was healthy, the senior
21 holders.

22 MS. LEONARD: Well, I think -- Your Honor, I
23 think that's making assumptions as to how people might
24 act. But I can tell you that my clients worked for
25 years, and years, and years to try to put together a

1 plan that worked for everyone. They explored all sorts
2 of ideas, they, you know, retained consultants and
3 experts in economics to help them figure out what is a
4 potential solution here.

5 This is what a majority came up with. And I -- I
6 -- again, I emphasize that that's all that the
7 legislature required. It just said, majority. And as
8 an example of what you just raised, it could have
9 said, and we need to include all the seniors too. And
10 that's not what they said.

11 So that's why I continue to go back to the notion
12 that they made this exception to the prior
13 appropriation doctrine. Um, and it's not out of line
14 with other things that a legislature has done with
15 regard to the prior appropriation doctrine.

16 THE COURT: Ms. Leonard, I have two questions I
17 wanted --

18 MS. LEONARD: Sure.

19 THE COURT: -- to raise with you, and I know, uh,
20 time is running. Um, the first has to do with NRS
21 534.037. By the way, the statutory scheme is another
22 example, from my perspective, of the state engineer
23 being put in a extremely awkward position, um, to
24 help, uh, resolve and mitigate challenges that exist
25 between senior and junior, uh, right holders.

1 Um, of concern to me was subsection G. Uh, when
2 applying the factors on the establishment of the GMP
3 it states, any other factor deemed relevant by the
4 state engineer, um, A was there -- were there other
5 factors, uh, that were reflected in the record that
6 the state engineer used in approving this?

7 Uh, and B, uh, if so, what would be the source of
8 those, would they be adopted regulations, um, where do
9 they come from?

10 MS. LEONARD: So, Your Honor, I -- to -- to be
11 candid, I don't recall specifically in the order
12 whether the state engineer addressed other, um, thing
13 -- well, I -- I can give you an example of where the
14 state engineer said -- thought it was important that,
15 uh, this GMP does recognize priorities.

16 THE COURT: Mm-hmm.

17 MS. LEONARD: Um, the state engineer also, um,
18 you know, thought it was important to, um -- that this
19 -- that this was what the community came together and
20 was able to, um -- to come up with, and that they had
21 worked very hard on it, and taken into consideration a
22 lot of I -- a lot of things.

23 To get to that result, I think it's very clear
24 the state engineer relied on the record in front of
25 him either written submissions, uh, the petition for

1 the GMP, public comments, the hearing that he held.

2 Um, I think it's clear that he only relied on the
3 record in front of him.

4 THE COURT: Then the second question I had, um,
5 there's been some arguments made that this scheme that
6 was adopted by the legislature, uh, for the GMP
7 process, uh, may be unconstitutional as a -- as a
8 taking. Is that an issue that we need to get into in a
9 petition for judicial review?

10 It seems to me that, uh, the question in a
11 petition for judicial review is to interpret and
12 understand the statute under which the program was
13 adopted. Uh, if someone has a problem with it from a
14 taking standpoint, that should be a separate action.

15 MS. LEONARD: Right.

16 THE COURT: Uh, and so I -- we -- we are all
17 lathered up in a lot of the paperwork that's been
18 filed with this Court and with the district court
19 over, uh, constitutional rights. But I'm not sure that
20 this is the appropriate venue to litigate or decide
21 that question.

22 So if -- if Bailey, for example, has a, uh,
23 legitimate basis for a taking claim, uh, assuming
24 that, uh, we approved, uh, the state engineer's action
25 here, it would seem like that taking claim is

1 something that would be the -- the subject of a
2 different matter another day.

3 MS. LEONARD: I 100 percent agree with you that
4 this is not the appropriate place to be consider- --
5 considering a taking claim for a couple of reasons.
6 One is it is a petition for judicial review --

7 THE COURT: Mm-hmm.

8 MS. LEONARD: -- uh, in which there's not a
9 claim, so to speak, for taking.

10 THE COURT: Mm-hmm.

11 MS. LEONARD: The, um -- and the second is
12 because really, they didn't press it below. Uh, the
13 respondents did not press a taking below. They
14 mentioned it in there PJR, but they did not ever
15 really advance that argument in front of the district
16 court.

17 But I do not think it's within the realm of what
18 this Court needs to decide. I think the district court
19 said, substantial evidence supported this decision,
20 and the state engineer complied with the statutory
21 requirements. That should be enough to affirm.

22 THE COURT: I said I had two questions, but I
23 have a third.

24 MS. LEONARD: Okay.

25 THE COURT: So perhaps you can confer with the

1 state engineer's counsel, unless you know. Have there
2 been any other GMPs adopted for other basins
3 throughout the state, or is this the only one?

4 MS. LEONARD: This is the only one. This --

5 THE COURT: First and only, I guess.

6 MS. LEONARD: First and only. And it's the first
7 basin to be designated as a critical management area.

8 THE COURT: But there are, as we know from lots
9 of sources, many other basins in which the, uh,
10 priority of the yield is exceeded by the amount of,
11 uh, rights, uh, authorized.

12 MS. LEONARD: That is correct. That the Court's
13 decision is going to have impacts far beyond Diamond
14 Valley.

15 THE COURT: And I think there are curtailments in
16 some other basins, even, that are -- that are running
17 their course. Is that right?

18 MS. LEONARD: I -- I can't tell you what the
19 current state of curtailment orders are. But I can
20 tell you that obviously, this has been a very light
21 year on precipitation and snowpack. Um, and it's --
22 it's going to have a big effect on -- on the resource
23 and the associated water users in the state.

24 THE COURT: All right. Uh, you're at 6:26, I'll
25 add three minutes to your rebuttal time, and we'll add

1 three minutes to, uh, respondent's time. Uh, are you
2 ready to proceed? Okay. Are you taking all the time
3 Mr. Mixson? Or --

4 MR. MIXSON: Uh, I will be taking -- we -- we've
5 agreed -- Mr. Rigdon and I have agreed to split our
6 time.

7 THE COURT: Okay.

8 MR. MIXSON: So I intended to take 15, and I -- I
9 -- I'll stick with that despite the extra three, which
10 I appreciate.

11 THE COURT: Okay.

12 MR. MIXSON: And we've also agreed to divide the
13 issues. I will be addressing prior appropriation and
14 if time allows, beneficial use doctrine. And Mr.
15 Rigdon will address the impairment of senior invested
16 water rights and other statutory violations.

17 THE COURT: Okay.

18 MR. MIXSON: So may it please the Court, there's
19 no dispute that the Diamond Valley groundwater aquifer
20 is in dire shape. There's also no dispute that the
21 primary cause of this condition is the state
22 engineer's failure for at least a half a century to
23 regulate overpumping of groundwater in the basin.

24 The groundwater management plan for Diamond
25 Valley attempts to create an entirely new water system

1 applicable only in Diamond Valley that reallocates
2 water from senior water rights to junior water rights.
3 And none of the parties, including the appellants,
4 dispute that the GMP violates the prior appropriation
5 doctrine.

6 So the core of this case is whether the state
7 engineer is permitted to approve a groundwater
8 management plan that violates Nevada's fundamental
9 prior appropriation doctrine, and fundamental
10 beneficial use doctrine, simply because a majority of
11 water users in the basin voted to do so.

12 THE COURT: Well, counsel, um, under Ms.
13 Leonard's characterization of the, uh, statute and her
14 view of the plain meaning of the statute, uh, it does
15 seem to be all inclusive. Uh, the language says, shall
16 order that withdrawals, it doesn't say what types, it
17 says withdrawals.

18 Then it says, including without limitation to
19 domestic wells. That -- it would be an obvious
20 inclusion because of the handling of domest- --
21 domestic wells different than, uh, water rights. Be
22 restricted in that the basin to conform to priority
23 rights. It seems to be all withdrawals.

24 MR. MIXSON: So --

25 THE COURT: What about that interpretation of the

1 statute is wrong?

2 MR. MIXSON: Well, by, um, the notion of vested
3 rights, of course, Mr. Rigdon is going to address, and
4 the impairment by the GMP. But with respect to the --

5 THE COURT: Well, we got to start with the
6 interpretation of the statute. So if you don't mind --

7 MR. MIXSON: With respect to the -- with the --
8 an interpretation of 534.110, I think what Ms.
9 Leonard's discussion, uh, ignores is subsection six.
10 And you have to read the statute as a whole. I'd note
11 you have to read those two subsections together.

12 Subsection six says, if the state engineer
13 designates a groundwater basin and the conditions
14 allow, he may curtail water rights by priority. That -
15 - that existed before AB419 in 2011. In 2011 AB419
16 adds -- to subsection six, it adds, except as
17 otherwise provided in subsection seven. Then adds
18 subsection seven.

19 Subsection seven says, if the state engineer or
20 if the basin is designated as a critical management
21 area, the state engineer shall curtail water rights by
22 priority if it's been designated for 10 years, unless
23 he approves a GMP. The shall in subsection seven is
24 what's important. It creates mandatory curtailment
25 that didn't exist.

1 THE COURT: But why -- why -- why shouldn't we
2 evaluate the -- that language on a ratable reduction?
3 Which is kind of what the GMP did here, as opposed to,
4 uh, a priority reduction? If you, uh, reserve all of
5 the perennial yield for the seniors, there's no
6 reduction to the seniors whatsoever. The language
7 you're referencing seems to me to imply, uh, or even
8 state that the -- there's going to be a ratable
9 reduction of priorities throughout the basin?

10 MR. MIXSON: Well, I -- I -- I don't read the
11 language as -- as implying, uh, permission to reduce
12 senior rights on the backs of providing water for
13 junior --

14 THE COURT: Well, I understand you don't read it
15 that way. But I'm asking why isn't it reasonable to
16 read it as a reduction, uh, on a ratable basis, on an
17 aliquot basis?

18 MR. MIXSON: Because that doesn't comport with
19 the prior appropriation doctrine. The prior
20 appropriation doctrine in Nevada says that senior
21 rights are entitled to the full use of their water in
22 times of shortage.

23 THE COURT: Well, I think the subsections you
24 referenced are contemplating that there could be a
25 reduction based on the priorities. And I'm wondering

1 why that couldn't be read.

2 MR. MIXSON: I -- I just don't -- I don't see
3 that in the language. It says, the state engineer
4 shall curtail by priority, unless there's a GMP, in
5 subsection seven.

6 THE COURT: So one of the things you were going
7 to talk about, I think, had to do with, uh -- uh, in
8 establishing the GMP, whether there was an appropriate
9 evaluation of a beneficial use. Uh, it -- was that one
10 of the topics you were going to address?

11 MR. MIXSON: Yes, Your Honor.

12 THE COURT: Why don't we get to that? Because I
13 think that's a significant issue here --

14 MR. MIXSON: Okay.

15 THE COURT: -- as well.

16 THE COURT: Before you move on, I have a question
17 about subparagraph six that you just alluded to. It
18 speaks to, in the permissive may curtail by priority.
19 Um, what else is contemplated that the state engineer
20 could do, default in his duty to get the bal- -- basin
21 imbalance? I mean, what do you think, if you didn't
22 have paragraph seven, would be an option to
23 curtailment under paragraph six?

24 MR. MIXSON: An option in the alternative to
25 curtailment?

1 THE COURT: Yes.

2 MR. MIXSON: Well, I think that, um, the state
3 engineer -- well, under the Nevada Water law statutes,
4 there -- are there are many ways to enforce the prior
5 appropriation doctrine other than strict curtailing by
6 priority.

7 For example, and this gets to the beneficial use
8 question, water rights permits issued by the state
9 engineer are essentially provisional. And in order to
10 prove up your permit so that you can get a -- a final
11 certificate, you have to put your water right to use
12 under the provisional permit. And you're only given a
13 certificate for the amount of water that you are
14 capable and do put to beneficial use.

15 So a provisional permit can result in a
16 certificate with less water. And by -- if the state
17 engineer would enforce the cancellation of unused
18 water permits, or unused portions of water permits, he
19 could reduce the amount of water rights and the demand
20 on the aquifer. That is one example of a non-
21 curtailment remedy.

22 THE COURT: And your -- your argument here is
23 this GMP actually does the opposite.

24 MR. MIXSON: Correct. So un- -- so under the --
25 the problem with the beneficial use violations of the

1 GMP is that, for example, these unused permits, or
2 unused portions of permits, are given full allocations
3 and shares under the groundwater management plan. Even
4 though the holder of that permit has not proven its
5 actual ability to put the water to beneficial use.

6 THE COURT: Mr. Mixson, was there a calculation
7 made of the water rights that were incorporated in the
8 GMP, uh, for which, um -- uh, appropriate
9 consideration of the proof of beneficial use had not
10 been accomplished? Uh, I'm trying to quantify this
11 issue and the relationship between the plan that was
12 adopted versus the plan that might have been adopted
13 had, as part of the considerations under the factors
14 here, incorporated, uh -- uh, that, uh, calculus?

15 MR. MIXSON: I, um, understand your question. And
16 the answer is no. It was not quantified. I think that
17 is one of the fundamental deficiencies in the state
18 engineer's -- in factual determination --

19 THE COURT: And did you request that when the
20 state engineer was developing the plan?

21 MR. MIXSON: I did not personally. I had --

22 THE COURT: Who did --?

23 MR. MIXSON: [inaudible] clients.

24 THE COURT: Your clients.

25 MR. MIXSON: No. They didn't raise it as an issue

1 in their written comments.

2 THE COURT: Uh-huh.

3 MR. MIXSON: But they're laypersons, and so their
4 comments didn't specifically demand or request that
5 the state engineer actually quantify the, uh -- uh,
6 amount of permits that have not yet been put to
7 beneficial --

8 THE COURT: So this gets to my question about the
9 proof of beneficial issue. I'm intrigued by the
10 argument, and I can understand the seniors' concern,
11 just as you've articulated it to Justice Pickering.
12 But if it wasn't quantified, if it wasn't laid out in
13 the record, if it wasn't an alternative calculus, uh,
14 for the state engineer to consider, was it waived?

15 MR. MIXSON: Was it waived by --

16 THE COURT: As in --

17 MR. MIXSON: -- the challenger?

18 THE COURT: Yes. Right.

19 MR. MIXSON: I don't think it would have been
20 waived, because it was not a formal legal proceeding,
21 it was a public hearing to take public comments.

22 THE COURT: Yeah.

23 MR. MIXSON: Not testimony under oath.

24 THE COURT: So did you raise a calculus of the
25 type we're talking about to the district court?

1 MR. MIXSON: Um, I don't think we -- it was
2 raised as a specific issue that the state engineer
3 should have calculated. Although, um --

4 THE COURT: Because it seemed like --

5 MR. MIXSON: But it might [ph] be, I did. Because
6 I honestly just can't remember, is all.

7 THE COURT: There's a lot of paperwork here. So I
8 appreciate the challenges in remembering this. But I -
9 - I didn't see it really float up as a intriguing
10 issue until it got to us.

11 MR. MIXSON: If I could -- if I could just run
12 through. I hate to do numbers in front of you. But --

13 THE COURT: Sure, no.

14 MR. MIXSON: The state engineer did --

15 THE COURT: Some people have accused me of being
16 a bean counter. That's all [inaudible]

17 MR. MIXSON: On -- on paper, there are
18 approximately 126,000 acre feet --

19 THE COURT: Mm-hmm.

20 MR. MIXSON: -- of irrigation permits granted by
21 the state engineer.

22 THE COURT: Mm-hmm.

23 MR. MIXSON: In 2016, which is sort of the
24 benchmark number that's been used by the GMP and by
25 the state engineer, there was approximately 76,000

1 acre feet pumped from the basin for irrigation.

2 THE COURT: Mm-hmm.

3 MR. MIXSON: That the difference between the
4 126,000 acre feet on paper permits, and the 76,000
5 acre feet that was pumped in 2016, is 50,000 acre feet
6 --

7 THE COURT: Mm-hmm.

8 MR. MIXSON: -- of water rights on paper that
9 were not used. Some portion of that 50,000,
10 presumably, it's a significant portion of this, I'll
11 calculate it below, is water that is -- has not been
12 put to beneficial use, may never be put to beneficial
13 use, because it's incapable --

14 THE COURT: Mm-hmm.

15 MR. MIXSON: -- of being put to beneficial use.
16 So I -- I -- I can't --

17 THE COURT: I get that argument, Mr. Mixson, I
18 was intrigued by it. But I'm trying to understand
19 whether it's appropriate for us to -- to deal with
20 that. The calculus you've just gone through, I don't
21 think it's something that was developed, uh, perhaps
22 understandably, with the process in front of the state
23 engineer, but in front of the district court either.
24 Right?

25 MR. MIXSON: Those numbers were certainly brought

1 to the district court's opin- -- uh, attention.

2 THE COURT: Yeah.

3 MR. MIXSON: The calculus of the unused permits,
4 and the portions of the unused permits is -- is
5 something that at least from my perspective, and on
6 behalf of my clients, is the state engineer's sole
7 obligation. The -- the Baileys are not capable of
8 gathering the information to make that determination.

9 THE COURT: So under which of the factors in
10 534.037 do you think the state engineer should take
11 into consideration? Uh, I could see some that would
12 apply. Uh, but is there one in particular that you --
13 or maybe more than one?

14 MR. MIXSON: Well, obviously, G -- other, um,
15 applies. And then --

16 THE COURT: We've been down that catch-all [ph] -
17 -

18 MR. MIXSON: And then, um, you know, a -- the
19 hydrology of the basin, arguably. But let me address
20 the factors in 534.037 subsection two.

21 THE COURT: Sure.

22 MR. MIXSON: The -- the appellants' argument is
23 what -- the state engineer having been provided a
24 groundwater management plan a- -- approved by a
25 majority of the water users in the basin, all he's

1 required to do is consider the factors under
2 subsection two of that statute.

3 And if he determines that it -- the groundwater
4 management plan could result in removal of the CMA
5 designation, he can approve it. They say that's the
6 end of the story. But I want to draw your attention to
7 these factors.

8 These are not legal. These are scientific and
9 hydrologic factors that are obviously within the
10 purview of the state engineer. But none of these -- it
11 references or sets forth a legal standard, hydrology
12 of the basin, physical characteristics of the basin,
13 geographic spacing of the wells, water quality, um,
14 whether the plan already exists, none of these are
15 legal.

16 So when the appellants say, if the state engineer
17 considers these, that's the end of the story. That is
18 fundamentally what the district court rejected. And he
19 said, no, you have to also look at whether the
20 groundwater management plan complies with the rest of
21 the water law, not just the technical factors under
22 subsection two, of 534- -- 4.037.

23 And so to me, that -- their argument therefore
24 falls apart. Because the groundwater management plan,
25 it's conceded, does violate the prior appropriation

1 doctrine. And of course, I argue it violates the
2 beneficial use doctrine.

3 THE COURT: Do you acknowledge that the
4 legislature could, if it wanted, allow groundwater
5 management plans that don't strictly follow
6 priorities?

7 MR. MIXSON: I -- I fully, uh, agree that had the
8 legislature wanted to exempt groundwater management
9 plans --

10 THE COURT: Okay.

11 MR. MIXSON: -- from existing law, they could do
12 so with the express language in the statute.

13 THE COURT: Okay.

14 MR. MIXSON: But we are talking about fundamental
15 prior appropriation doctrine for Nevada, and if the
16 legislature is going to waive that doctrine for a
17 groundwater management plan, it must do so expressly
18 with express terms in the statute, which it did not do
19 here.

20 THE COURT: If I may, why -- but why isn't unless
21 express?

22 MR. MIXSON: Unless is an express exception to
23 the mandatory curtailment of subsection seven of
24 534.110. It's not an exception to the entire prior
25 appropriation doctrine. Under 534.110, subsection six,

1 there is still permissive curtailment at the
2 discretion of the state engineer. So that unless a GMP
3 is approved as -- only as an exception to 534.110,
4 subsection seven, A and B which are critical
5 management area.

6 THE COURT: So what's the point of allowing the
7 groundwater management plan?

8 MR. MIXSON: Just that --

9 THE COURT: What -- what kinds of things can a
10 groundwater management plan do if it doesn't have the
11 opportunity to adjust, say, the prior appropriation?

12 MR. MIXSON: So, um, the goal as stated in the
13 statute, 534.037, is to allow for the state engineer
14 to remove a critical management area designation.
15 That's the statutory goal.

16 THE COURT: Right.

17 MR. MIXSON: And -- and presumably, that means,
18 uh, reducing pumping to somewhere at or at least very
19 close to the sustainable yield of the basin. And how
20 can you do that while still, um, staying true to the
21 prior appropriation doctrine?

22 THE COURT: Right.

23 MR. MIXSON: Well, as in the State Engineer v.
24 Lewis case from New Mexico, the common way it's done
25 is to state when -- when they create the problem, puts

1 up the money to solve the problem, and you could have
2 a voluntary water rights buyout and retirement program
3 using public funding or funding from any other source.

4 THE COURT: So a majority of the citizens can
5 vote and say, we think the state should pay us to give
6 up our water rights. And the state engineer would
7 approve that. Is that your idea?

8 MR. MIXSON: The idea -- well, yeah. I mean, I
9 can't force the -- the state, obviously, to do that.
10 But they -- they could say -- it could be a component
11 of a plan. And another component of a plan could be,
12 uh, cancellation of unused permits, and you -- and you
13 start to piece together various components.

14 THE COURT: Okay.

15 MR. MIXSON: And so --

16 THE COURT: I mean, cancellation of unused
17 permits isn't going to solve the problem, because not
18 only is it over-appropriated on paper, it's actually
19 being overused. Right?

20 MR. MIXSON: Yes.

21 THE COURT: Okay.

22 MR. MIXSON: But -- but if you -- if you begin to
23 -- to bleed out [ph] the unused water rights, and you
24 begin to address the problem through voluntary
25 conservation measures, you could also potentially, um,

1 have mandatory, um, irrigation efficiencies on the
2 farm.

3 You could have man- -- you know, for example,
4 we're not disputing in the groundwater management plan
5 the requirement that all the farmers put an upgraded
6 meter on their system, so that we're measuring water
7 accurately. Um, it's sort of an unstated rule in the
8 water law that once you start measuring water, use
9 goes down.

10 And so you start to piece together various
11 components of a plan that are voluntary with respect
12 to senior rights, but you need to incentivize them to
13 reduce water. But you cannot take water away from
14 senior rights under the current appropriation doctrine
15 and give it to junior rights.

16 THE COURT: No water?

17 MR. MIXSON: Not under -- not if you stay true to
18 the prior appropriation doctrine. They're entitled to
19 the full use of their water under the prior
20 appropriation doctrine.

21 THE COURT: Unless the legislature qualifies
22 that.

23 MR. MIXSON: Correct.

24 THE COURT: Okay.

25 THE COURT: Do you agree with Ms. Leonard that

1 this plan achieves equipoise such that the CMA
2 designation would be removed in 35 years?

3 MR. MIXSON: Well, um, the -- the district court
4 agreed with the state engineer based on the factors
5 under 534.037, subsection two, the scientific factors.
6 And, uh, the Baileys had- -- hadn't challenged the
7 district court's determination. But, um, I think it is
8 still sort of an open question whether this plan --
9 because remember, the 34,000 acre feet that, um, it
10 allows to be pumped at year 35 doesn't include
11 domestic wells and other water rights such as money.
12 So the -- the pumping demand on the basin is going to
13 be higher even than the 34,000.

14 THE COURT: Do you -- do we have a number for
15 that?

16 MR. MIXSON: Um, I don't have it off the top of
17 my head. But I think, uh --

18 THE COURT: It's in the record.

19 MR. MIXSON: I think it may be in the record.

20 THE COURT: Thank you.

21 MR. MIXSON: Okay. I've, um -- I'm at the end of
22 my time. So the Baileys request that the Court affirm
23 the district court's decision. And thank you.

24 THE COURT: All right. Thank you, Mr. Mixson.
25 Morning, Mr. Rigdon. How are you?

1 MR. RIGDON: Doing well, Mr. Chief Justice. Thank
2 you very much.

3 THE COURT: Um, would you like the three minutes
4 I allocated to your colleague? Uh --

5 MR. RIGDON: Absolutely.

6 THE COURT: I figured you would.

7 MR. RIGDON: Thank you, Mr. Chief Justice. And
8 may it please the Court, I'm here today with my co-
9 counsel, uh, Mr. Paul Taggart. And with my -- uh, one
10 of my clients, uh, Ira [inaudible]

11 THE COURT: Mm-hmm.

12 MR. RIGDON: Uh, importantly, uh, Ira was
13 actually a member of the committee that was charged
14 with coming up with a groundwater management plan. Uh,
15 unfortunately, uh, they were not able to reach, uh,
16 unanimity on this. And, uh, he ends up in the position
17 that he's in today. But he's put a lot of work into
18 trying to come up with the ways that we've been
19 talking about.

20 And -- and just to really quickly tag on before I
21 get into my presentation, to some of the questions
22 that were just being asked. One of the ways that
23 groundwater management plans could be adopted without
24 upsetting prior appropriation, and it's done all over
25 the west, juniors can come in and incentivize seniors

1 to save water.

2 So they can help the seniors put on water
3 conservation equipment, they can help them line
4 ditches, they can help them do this type of stuff. And
5 then the water saved, because the juniors incentivized
6 them to do that, goes to the seniors. That is the kind
7 of hardware in groundwater management plans, and what
8 the legislature was expecting from groundwater
9 management plans.

10 But why do that hard work when you can just take
11 the water from the seniors, and not -- and not do any
12 incentive to have -- voluntarily come in with a plan?
13 And that's what happened in this case, uh, because the
14 juniors vastly outnumber the seniors here. And they
15 just voted their way into a plan to take -- take --
16 take the priority rates. And -- and -- and that's
17 what's going to happen.

18 THE COURT: I mean, didn't the state engineer --
19 I mean, I understand. So the juniors may come in and
20 vote majority. Yeah, let's take the water from the
21 seniors, yay. But it's got to be approved by the state
22 engineer. So it's not just a majority rule, they have
23 to then have a state engineer who presumably is
24 representing the public interest to say, is this a
25 reasonable plan? And he determined it was.

1 MR. RIGDON: It -- uh, that's true. The state --
2 state engineer did say that it was a reasonable plan.
3 But the state engineer was -- was guided by the fact
4 that it was a plan that was -- the majority wanted.
5 And -- and you see throughout his order he talks
6 about, well, this is what a majority of the people
7 want, therefore, that's what's in the public interest
8 and that's what I'm going to do. Uh, and -- uh, and --
9 and unfortunately, that's just the political reality
10 of the situation. Uh --

11 THE COURT: Ca- -- can it be determined that it's
12 in the pub- -- that -- let me back up. Is your
13 position that he can't determine it's in the public
14 interest if it would infringe on the priority?

15 MR. RIGDON: If it would infringe on prior
16 appropriations. This -- this doesn't just infringe
17 upon prior appropriations. This infringes on prior
18 appropriations doctrine, which is a fundamental
19 doctrine of groundwater law. It infringe -- it -- it
20 infringes on the beneficial use doctrine, which is a
21 vital doctrine, as -- as Mr. Mixson pointed out.

22 And it also -- well, the part that I was going to
23 discuss is it infringes upon what we call the non-
24 impairment doctrine. Where pre-statutory water rights
25 are protected from any kind of impairment of their

1 rights, uh, from any state engineer action or any --
2 any application of the code. And this plan violates
3 that non-impairment doctrine as well as the other two
4 doctrines.

5 So what we have here is an argument from the
6 appellants that this one statute basically allows them
7 to ignore all the other water laws and statutes in the
8 state. That -- that can't be the result. That can't be
9 what the legislature intended without specific and
10 clear language, uh, in -- in the legislation.

11 THE COURT: Help us here --

12 MR. RIGDON: And this regards one point that, uh,
13 Chief Justice raised with regards to, is this the
14 right form to bring up takings issues?

15 THE COURT: Mm-hmm.

16 MR. RIGDON: We're arguing here about statutory
17 interpretation. One of the primary doctrines that's
18 standard for interpretation is, where possible, if
19 there's two readings of a statute, the one that
20 doesn't implicate constitutional concerns is the
21 better one. Our reading of the statute doesn't
22 implicate constitutional concerns. The reason we're
23 raising the takings issue is because there's does.

24 THE COURT: Well, maybe that's the consequence. I
25 mean, your clients may have a takings claim if -- if

1 we agree that the GMP was appropriated or authorized
2 by the statute, and that's the action that was taken.

3 MR. RIGDON: Uh, ab- -- absolutely. And that
4 would come -- that would certainly come later.

5 THE COURT: Yeah.

6 MR. RIGDON: But for the purposes of determining
7 what the statute means, again, when there's two --
8 there's -- why not avoid that constitutional --

9 THE COURT: Yeah.

10 MR. RIGDON: -- question altogether and go right
11 to the interpretation that doesn't even require us to
12 reach that?

13 THE COURT: Are you advocating --? I apologize.
14 Go ahead.

15 THE COURT: In this instance, how many pre-
16 statutory rights are we dealing with? Are we dealing
17 with pre-1913 ha- -- what's the -- the split on the
18 rights here, the date -- the priority dates in these
19 rights?

20 MR. RIGDON: Well, that's very good question.
21 Because you heard that the -- the plan actually does
22 bring the basin in balance, and -- and it absolutely
23 does not. And -- and this is why it does not. The
24 numbers she referred to that are in Appendix G of the
25 plan only cover the water rights that are covered by

1 the plan.

2 So the water rights covered by the plan pumping
3 is brought down to 34,200 acre feet at the end of 35
4 years, after another 35 years of groundwater
5 [inaudible] but that doesn't include the more than
6 6,500 acre feet of pre-statutory water rights that
7 would've had to get replacement water from the
8 aquifer, because all their springs have run dry, uh,
9 through this process

10 For -- for 40 years, they've watched their
11 springs run dry. The Renners haven't even received
12 replacement water yet. They're the most northern --
13 they're the northernmost spring, their spring is still
14 running, although it's starting to go down every year.
15 Those that groundwater finally reaches them.

16 Sadlers received replacement water because, uh,
17 their spring ran completely dry. The Baileys also had
18 some replacement water because their springs ran
19 completely dry. Um, and so that's not even accounted
20 for in the plan. So --

21 THE COURT: And -- and that's pending in the, um
22 -- the decree litigation over this. Is that right? Is
23 -- or is that part of this record as well?

24 MR. RIGDON: Yeah. Those are two cases going on,
25 uh, current. Uh, as -- as you know. Because we had

1 that case that --

2 THE COURT: Yeah.

3 MR. RIGDON: -- that you recently dismissed about
4 the -- about the replacement water rights. Um, and
5 that -- that the -- uh, the numbers I've given you are
6 the numbers from that adjudication. There's at least -
7 -

8 THE COURT: Were -- were those advocated or
9 debated in this record?

10 MR. RIGDON: Yes. It was.

11 THE COURT: Okay.

12 MR. RIGDON: It was ab- -- it -- it absolutely
13 was. And -- and I -- I know that, because I'm the one
14 who did that. I -- I was at that public comment
15 meeting on behalf of my clients. I brought up that
16 issue at that public comment meeting, and brought it
17 up at the district court, and now we're bringing it up
18 here. So --

19 THE COURT: So you're saying that, like, the big
20 Shipley Spring is in play in this litigation as
21 additional on top of the 34,000?

22 MR. RIGDON: Absolutely.

23 THE COURT: Okay. Thank you.

24 MR. RIGDON: Absolutely. So the non-impairment
25 doctrine, which is what I was originally going to

1 file, is -- is one of the most fundamental doctrines
2 of groundwater law. It's found in NRS 533.085. And it
3 simply states, as I said, nothing in the water law can
4 -- can work its way to restrict or impair the ability
5 to protect for water right laws.

6 Here the argument is, well, they've received
7 replacement water, we're not cutting any water use of
8 theirs, so therefore, we're not impairing. But that
9 ignores one simple fact. And that ignores the fact
10 that this plan -- so we've got 40 years, over four
11 decades of water level declines. This plan continues
12 that for another 35 years, another three and a half
13 decades of -- of consistent groundwater climate, and
14 consistent overpumping in the basin.

15 Meaning that water levels continue to go down.
16 Our clients already had -- some of our clients have
17 already had to pay for replacement wells, pumps,
18 electricity to bring the water out of the ground. Uh,
19 the Renners are going to be facing that situation, and
20 there is not one thing in this plan to make them
21 whole.

22 THE COURT: They argue that it is the, um,
23 northern users use of the groundwater, that they
24 injured themselves in effect by drilling wells too
25 close to the springs. Now, I don't know what the state

1 of the evidence is on that. But they -- they
2 contradict your point that they're to blame for that,
3 essentially.

4 MR. RIGDON: Well, respectfully, that -- they did
5 not argue that in this proceeding.

6 THE COURT: Okay.

7 MR. RIGDON: And that was never preserved as an
8 issue in this particular case. That was an issue in
9 regard to the -- the replacement water case. And
10 they're attempting to make it an issue in regards to
11 the judication. Uh, but that has actually been
12 definitively decided by the state engineer. And they
13 never appealed that decision or the ruling 290 that
14 the state engineer issued that said that the cause of
15 the groundwater decline was the junior pumping to
16 stop.

17 THE COURT: So -- so you would say where they
18 refer to that in their briefs here that that -- that
19 lacks record support?

20 MR. RIGDON: Correct.

21 THE COURT: Okay. Thank you.

22 MR. RIGDON: So the other thing I want to bring
23 up is this would set a dangerous statewide precedent.
24 This letter actually acknowledged that this is not
25 limited by the val- -- this issue is not limited by

1 the value. This is a law of general applic- --
2 applicability throughout the state.

3 The prior appropriation doctrine is only viable,
4 is -- is only important when there's a shortage, when
5 a basin is being overpumped, that's the only time it's
6 important. If the -- if it's not being overpumped, it
7 doesn't matter what somebody's prior use are, because
8 everybody gets their water. It's only when they're
9 being overpumped.

10 And so if we're going to say that the basins that
11 are being overpumped, you can come in and get a CMA,
12 and then the doctrine of prior [inaudible] management
13 code violates the prior appropriation, then we
14 effectively don't have prior appropriation as stated
15 in law, at least respect -- with respect to
16 groundwater.

17 If the legislature intended that result, they
18 would have made that clear. But the district court did
19 look into legislative history, the district court did
20 an investigation into the -- the passage of AB419.

21 And in its order -- and in -- in this order, the
22 district court said it couldn't find one word, not one
23 word by any of the people who -- any of the sponsors
24 of the bill, any of the legislators, any of the people
25 who testified on the bill, supporting an

1 interpretation that -- uh, that they meant to overturn
2 prior appropriations.

3 In fact, in the statements we do have on the
4 record, we have Assemblyman [inaudible] who was the
5 sponsor of the bill, he specifically said, it is -- as
6 -- as I mentioned earlier, it is up to the juniors to
7 figure out how to grade the incentives to conserve
8 water in order to, uh, make these plans works.

9 THE COURT: Uh, are you asserting the statute is
10 ambiguous? Because other- -- if it's not, we don't get
11 the legislative history.

12 MR. RIGDON: I -- I - I don't believe it's
13 ambiguous. But, um, they're different on the opposite
14 reading of -- of what Ms. Leonard providing. Uh, I --
15 I agree completely with Mr. Mixson's review of the
16 statute. We have -- what we have is you have
17 subsection six was in the law prior to AB419.

18 They copied the exact language from subsection
19 six, brought it down to subsection seven, changed the
20 may to a shall, and created -- and -- and added a
21 precedent and an antecedent -- an- -- antecedent
22 condition. The precedent condition was CMA for 10
23 years. The antecedent condition was unless a
24 groundwater management plan is approved.

25 All those conditions were doing is -- is -- is

1 changing the -- were the conditions under which the
2 may doesn't have to change to a shall. That's all it
3 was doing. And that way -- and that's why they used
4 that -- that -- copied that exact language from
5 subsection six. And that's why subsection six is so
6 important.

7 THE COURT: From the standpoint of your argument,
8 the non-impairment argument, are you saying that if we
9 were to interpret, um -- uh, the groundwater
10 management plan statute, uh, 534.110(7) the way that's
11 advocated by appellants in this case, that that
12 interpretation would be contrary to the provisions in
13 the water code that assure protection of, uh, prior --
14 prior -- prior rights?

15 MR. RIGDON: That's absolutely correct, sir.

16 THE COURT: Those statutes are irreconcilably in
17 conflict.

18 MR. RIGDON: I -- I -- I -- I do agree with that,
19 Your Honor. And -- and -- and where's --

20 THE COURT: So if --

21 MR. RIGDON: -- the evidence of that?

22 THE COURT: But it -- but if we were to conclude
23 that that was the case, uh, it does seem like the
24 legislature can adjust the water code with respect to
25 other senior wa- -- water rights holders.

1 MR. RIGDON: Uh, if that were the case, there --
2 there's a potential that they -- that they could.

3 THE COURT: Mm-hmm.

4 MR. RIGDON: Uh, again, uh, if they did, it would
5 still then have maybe a right takings issue at that
6 point.

7 THE COURT: Yeah. Well, maybe. But the point
8 you're making about non-impairment is, those prior
9 statutory ri- -- rights, uh, can't be adjusted by
10 subsequent statutory modifications.

11 MR. RIGDON: Corr- --

12 THE COURT: Yeah.

13 MR. RIGDON: Correct. They -- they -- they
14 definitely cannot. That -- that's definitely correct.

15 THE COURT: Mm-hmm.

16 MR. RIGDON: Um, and -- and -- and the evidence
17 that the legislature did not want to im- -- impair, at
18 least as for the water rights. In passing this
19 legislation, you know, is something that go -- his
20 whole statement on his purpose for introducing this
21 bill.

22 He said -- he said that the -- that the purpose
23 of the bill was to -- is that -- he said, perennial
24 yield is what we are striving for. The state engineer
25 is not getting it done. This is actually his quote

1 from the -- from the legislative record. State
2 engineer is not getting it done, we continue to see
3 these basins decline, his purpose was to bring the
4 basins back into balance.

5 And where do we see that? In the actual text in
6 534.037, you have those factors, but you also have
7 above that the one mandatory requirement that every
8 GMP must follow. And that is it must contain the
9 necessary steps for removal of the -- the critical
10 management area designation. Since the management
11 area designation is placed there, when pumping exceeds
12 perennial yield, logically, that means that -- that it
13 must contain the steps to bring the basin into balance
14 to avoid pumping below perennial yield. This plan on
15 its face does not meet that, and that harms the pre-
16 statutory right courts.

17 Because again, they're the ones who've been
18 bearing the brunt and -- and -- and -- and taking the
19 burden of all this overpumping. They've had their --
20 their previously free flowing springs that were
21 tremend- -- not -- not just tremendous resources for
22 their lands, but tremendous ecological resources in
23 this basin. They -- they've had to watch for 40 years
24 as they slowly decline, and dry up, and blow away.

25 THE COURT: Mr. -- excuse me, go ahead.

1 THE COURT: So you -- do you and Mr. Mixson
2 disagree on whether or not Judge Fairman correctly
3 concluded that the GMP brings the ba- -- the basin
4 into balance?

5 MR. RIGDON: I -- I -- I -- I disagree to a
6 point. So what Judge Fairman was -- was -- Judge
7 Fairman was looking, this is the water area, so all
8 the areas not for interpretation, Judge Fairman was
9 looking at this in a [inaudible] standard.

10 THE COURT: Right.

11 MR. RIGDON: With regard to substantial evidence
12 of whether to the basin back into balance, he was
13 looking at it from the substantial evidence standard.
14 And -- and he was trying -- trying very hard to be
15 deferential to the state engineer, and -- and -- and
16 he was. Where I think the district court erred in that
17 is that there's not a single piece of evidence in the
18 record that shows that this will bring the basin into
19 balance.

20 And there's multiple pieces of evidence on the
21 record from scientific sources, the USGS, currency and
22 engineering, , uh -- uh, the -- the Harold report that
23 you mentioned, uh, that show that it won't bring the
24 basin into balance. And so -- and so while the -- the
25 district court was being deferential to the state

1 engineer on that factual issue, I believe that that
2 reference was in place.

3 THE COURT: But those references are to the, uh -
4 - the reason it won't bring it into balance from your
5 perspective is because of the pre-statutory water
6 rights.

7 MR. RIGDON: Uh, because those pre-statutory
8 waterways would be pumped. So what we'll -- I'll just
9 go through the quick pieces of evidence. Uh, the USGS
10 in 2016 did a report and they said the basin is -- is
11 out of balance by 61,000 acre feet --

12 THE COURT: Mm-hmm.

13 MR. RIGDON: -- in their report. The pumping
14 reductions in the plan only amount to a little over
15 40,000. Uh, when you -- when you -- when you look at
16 the face of the plan, you know, this -- if you add the
17 6,500 acre feet of the other water rights being pumped
18 on top of the -- the 34,200, you have over 40,000, yet
19 probably only 30,000 available. That's really easy
20 math.

21 THE COURT: Mm-hmm.

22 MR. RIGDON: Um, the -- the Herald [ph] report,
23 which actually indicates that there might be an even
24 lower perennial yield for the southern half of the
25 basin. Um, and then -- and then we -- we were the only

1 people who hired an expert, we hired Turnipseed
2 Engineering to, uh -- for the -- for the public
3 comment meeting.

4 And -- and we had Turnipseed engineering look at
5 the question, what was the -- that's the only expert
6 that has looked at the question of whether the pumping
7 reduction will bring the basin back to balance, looked
8 at that specific question. And -- and -- and they
9 determined that it wouldn't, and we submitted that for
10 the record. That's -- that's probably in the record.

11 Uh, and so -- so there's all this evidence there.
12 And then there's no evidence on the other side, uh,
13 other than the state engineers personal opinion that,
14 uh -- that it will somehow bring the basin into
15 balance.

16 THE COURT: Counsel, uh, if I could ask, you
17 spoke a moment ago about legislative intent. And --
18 and, um, in regard to the district court's order, they
19 seem to rely on the unpassed legislation in SB73 as
20 indicative of legislative intent somehow. And if we're
21 to find that to be an error, how does that affect our
22 analysis of the overall propriety of the district
23 court's order?

24 MR. RIGDON: Respectfully, I don't think that's
25 what the district court is doing. I know that's what

1 they -- they've said the district court was doing. The
2 district court took into account the failed
3 legislation, not to determine what the legislative
4 intent in 2011 was, um, with regard to passing the
5 law.

6 They looked at the failed 2000 leg- -- 10 -- the
7 2017 legislation to determine what the state
8 engineer's prior understanding of that law was, and
9 that it was inconsistent with his current, uh,
10 advocacy of how the law should be in theory. So that
11 was the purpose of the district court looking at that
12 2017 legislation.

13 THE COURT: Thank you.

14 MR. RIGDON: And sir, we respectfully ask that
15 not only do you affirm the district court, but you
16 make it clear, there's four more years that they have
17 to develop a GMP. Uh, we ask that you make it clear
18 that the GMP has to comply with prior appropriations
19 and has to, um -- uh, make the -- make the seniors
20 whole, make the [inaudible] whole, and bring the basin
21 back into balance. And thank you very much.

22 MS. LEONARD: Your Honors, I want to address
23 three principal things. I want to address beneficial
24 use, I want to address vested rights. But I want to
25 start with a really important distinction between

1 surface water and groundwater that the district court
2 didn't really address, and the respondents didn't
3 really address.

4 I think everyone's clear that curtailment occurs
5 when there's a shortage. With surface water, the
6 existence of a shortage is seasonal, it depends on
7 precipitation and snowpack, um, and the resulting
8 stream flows. And so whether and when rights might be
9 curtailed depends on where you are on the spectrum of
10 priorities.

11 Some years you might get nothing, some years, you
12 might get something, and some years, you might get a
13 lot more. And it just depends on -- on the stream
14 flows. Um, and management of priorities for surface
15 water is pretty easy, you open and close head gates.

16 Groundwater is way different. For groundwater,
17 water availability is determined by the perennial
18 yield, which in and of itself is determined by
19 multiple complex hydraulic -- hydrologic and geologic
20 factors. And, um, a shortage means that all rights in
21 excess of the perennial yield cannot be exercised.
22 And, um, so if they -- based on a more or less
23 permanent aquifer condition of what does this basin
24 sustain?

25 So the, um, pump - the aquifer response to

1 pumping, or to the cessation of pumping, it's
2 complicated. And this explains why the legislature
3 gave the state engineer very broad authority in this,
4 uh, legislation. Because it's highly technical, it is
5 within his expertise. He has hydrologists, geologists,
6 hydrogeologists, and all sorts of technical people
7 supporting him.

8 And so this notion that the respondents raise
9 that they have the only expert is really, uh,
10 disingenuous, I believe, because the state engineer's
11 office is full of experts. And it's squarely within
12 the broad discretion of the state engineer to decide
13 when and whether this, uh, basin is going to come into
14 balance such that the critical management area, um,
15 designation can be removed.

16 And, um, it's -- this legislation is also clear
17 that it -- is consistent with legislation that already
18 exists in NRS 534.120. Where the legislature has given
19 the state engineer very broad authority to administer
20 basins, um, and make such rules, regulations, and
21 orders as are deemed essential for the welfare of the
22 area involved.

23 So the state engineer gets to consider the public
24 welfare. You don't see this in surface water. And I
25 think it goes back to the complexity of groundwater

1 basins and why this -- the legislature needs to leave
2 certain things up to the legislature -- excuse me. To
3 the state engineer's discretion.

4 Um, let me turn to vested rights, uh, because I
5 want to, um, address this. First of all, it's clear
6 vested rights are not subject to the GMP. And the
7 district court's conclusion with regard to vested
8 rights, but somehow because there is a timeframe in
9 which the basin will -- the pumping will continue to
10 exceed the perennial yield, that the district court
11 concluded that in and of itself violates the -- the
12 vested rights, uh -- pre-existing vested rights.

13 But if that interpretation were accepted, then
14 the statute itself AB419 is what would be
15 unconstitutional because the statute itself clearly
16 allows for continued withdrawals in excess of the
17 perennial yield for at least 10 years, and it doesn't
18 set a time limit on the state engineer at all. Other
19 than that tenure window, uh, where he has to limit
20 withdrawals if there's no GMP.

21 So, um, I think that argument falls short that --
22 that the respondents advance. It's also illogical that
23 a GMP that is going to reduce pumping to the perennial
24 yield would somehow worsen the condition of the
25 aquifer. Which is what the argument is that they're

1 making, is saying that the GMP will -- will make the
2 status quo worse, and therefore impairs vested rights.

3 Um, the district court's conclusion would -- in
4 this regard is not supported by any record evidence. I
5 would note that my colleagues for the respondents were
6 very loose on what they were referencing, uh, in terms
7 of what is in the, quote, record, because they're
8 referencing other litigation that my clients never had
9 the opportunity in this -- to create a record in this
10 case to respond to that.

11 Um, and -- and so I don't believe, uh, if you
12 look at our opening brief on page 46, there are
13 references regarding, uh, vested rights. And, um, I --
14 that was the -- the best we could do thinking that the
15 district court was going to just stick to the
16 administrative record, which it ended up not doing.
17 Uh, but that was what we have in the record for that
18 issue.

19 THE COURT: On this point, um, I asked Mr. Rigdon
20 about whether, uh, the statute creating the GMP, uh,
21 is in conflict with, uh, the water code that declares
22 pre-statutory rights, uh, protections.
23 Uh, what about that?

24 MS. LEONARD: Well, I don't think there is
25 anything in this record that ties any junior pumping,

1 in particular, any well and shows a -- a causal effect
2 on any particular senior right. There is the USGS
3 report that attributes overall pumping in the basin,
4 which would mean senior and junior rights.

5 THE COURT: Well, did Mr. Turnipseed's report
6 conclude, as represented here today, uh, that the, uh
7 -- uh, prior appropriation rights would be impaired,
8 uh, from the GMP?

9 MS. LEONARD: I'm sor- -- are you talking about
10 vested rights or prior appropriation?

11 THE COURT: Prior appropriation.

12 MS. LEONARD: And so -- can you repeat your
13 question, Your Honor?

14 THE COURT: Did Mr. Turnipseed's report, as
15 represented by Mr. Rigdon, indicate that the prior
16 appropriated rights, pre-statutory rights would be
17 impaired by the GMP?

18 MS. LEONARD: Your Honor, I don't think it
19 matters, because the substantial evidence standard
20 doesn't take into account whether other evidence --

21 THE COURT: I'm just asking if that was his
22 opinion.

23 MS. LEONARD: I don't recall specifically his
24 opinion. But I --

25 THE COURT: But I'm assuming you don't -- so your

1 response to that argument is, you don't think it
2 matters?

3 MS. LEONARD: Well, Your Honor, I don't think it
4 matters, because substantial evidence standard has
5 these -- what the state engineer -- if there's
6 substantial evidence to support the state engineer,
7 that is sufficient.

8 THE COURT: That is --

9 MS. LEONARD: If there's contrary evidence that
10 the state engineer does not -- might not agree with,
11 it doesn't make a difference with regard to the
12 substantial evidence standard.

13 THE COURT: On a broader basis, can the
14 legislature, by statute, uh, impair prior
15 appropriation or pre-statutory rights by a statute?

16 MS. LEONARD: I -- I think that it -- that it --
17 the -- I think there are pre-existing constitutional
18 rights that have to be protected. So I would say, no.
19 That by statute, it cannot. But I think that you have
20 to have a causal effect.

21 THE COURT: So under your plain reading of the
22 statute that you shared with Justice Pickering earlier
23 in the opening, uh, when you talk about -- when the
24 statute talks about withdrawals, uh, and I share your
25 point about, uh -- or understand your point that

1 that's pretty wide, and encompasses all withdrawals,
2 that would not include, uh, pre-statutory, uh, rights.

3 MS. LEONARD: No. I think it's very clear that
4 the GMP cannot impair statutor- -- or, excuse me. Pre-
5 statutory rights.

6 THE COURT: Yeah.

7 MS. LEONARD: Vested rights. We're not making the
8 argument that it can, and we don't think there's any
9 record evidence that shows that it does.

10 THE COURT: Okay

11 MS. LEONARD: The state of a district court said,
12 simply because pumping is going to continue beyond the
13 perennial yield, that that -- that there's a direct
14 causal connection with -- with, uh, vested rights.

15 But because you have respondents pumping wells
16 near their springs, or in their springs, even if there
17 were curtailment of all the juniors by 100 percent,
18 down to zero, it -- tomorrow where the perennial yield
19 is -- is only 30,000 acre feet, that's all that's
20 going to be pumped. You don't -- there's -- there's no
21 evidence that those springs are going to come back.

22 So there -- this statute on its face does not,
23 uh, impair vested rights. Uh, but it's -- it's
24 certainly allow -- it -- it doesn't -- you need the
25 evidence to show that cause --

1 THE COURT: So I wanted to clarify something,
2 because I may have misunderstood something Mr. Rigdon
3 said. What are the total vested rights in the basin?

4 MS. LEONARD: The total amount? I -- I don't
5 remember the number in particular.

6 THE COURT: He -- he said 6,000. But I wasn't
7 sure if that was just his client or the full basin.

8 MS. LEONARD: Yeah. I don't remember the number
9 specifically.

10 THE COURT: All right. Thank you.

11 THE COURT: And just to -- sorry, to be clear.
12 And -- and, uh, when Justice Pickering was talking to
13 you earlier about whether the plan would result in
14 balance after 35 years or not, and I believe the point
15 was made by respondents that if -- if the GMP doesn't
16 take into account the pre-statutory rights, then in
17 fact, it wouldn't be, like -- does that affect your
18 analysis and whether this meets the requirements for a
19 GMP?

20 MS. LEONARD: I have two responses to that. One
21 is, that's a highly technical question. That is
22 squarely within the discretion of the state engineer
23 of what the -- how the -- the aquifer will respond to
24 the GMP. Um, the -- the other, uh -- and my other
25 response just left my head.

1 THE COURT: I understand.

2 THE COURT: Ms. Leonard, if I could ask, um, I --
3 I think you mentioned earlier you're going to get to
4 this, but I wanted to comment on it. The first thing I
5 would say is, in an era when people are so polarized
6 in their beliefs and opinions, I think it's
7 commendable that all the people in this space have
8 been willing to collaboratively work towards solving
9 their issues.

10 But the state engineer's order still obviously
11 has to comply with the law. How can banking water
12 constitute beneficial use under our statutes?

13 MS. LEONARD: Your Honor, banking -- banking
14 water is -- is just, uh, a matter of not withdrawing
15 it in one year for use in the next year. It is not, uh
16 -- it -- it is and will be put to beneficial use, um,
17 is the banking of it is not the end use of it. So I
18 think that their argument with regard to that is, um -
19 - is -- is a little misleading.

20 Because I think that the -- the notion and the
21 idea is that we, uh, want to make water most
22 efficiently used. This is a shortcoming of the prior
23 appropriation doctrine. It also requires use it or
24 lose it. Which is a problem, uh, in terms of cons- --
25 conserving water. And so the GMP tries to address that

1 -- that element of prior appropriation by saying,
2 don't use it just because you have to, you -- you
3 know, save it for when you need it.

4 THE COURT: But doesn't that , uh, I mean, going
5 back to beneficial use, uh, under the GMP that's been
6 proposed, you've got those holders that haven't been
7 putting their water to beneficial use that are going
8 to get shares in this, uh -- this plan. And they can
9 bank, they can sell, but yet they haven't made
10 beneficial use of, uh, the water. How does that
11 comport with what you just said?

12 MS. LEONARD: So, um, I think that there -- this
13 notion that these waterways have never been put to
14 beneficial use is a false premise. Because --

15 THE COURT: But then there was an indication by
16 the, uh, state engineer, I believe, um, that it would
17 be a notice issue and a delay issue to, uh, notify
18 these people that haven't been putting their rights
19 to, uh, use. Um --

20 MS. LEONARD: So --

21 THE COURT: And it would encourage those folks to
22 come forward and say I'd better start pumping, which
23 affects the basin as well.

24 MS. LEONARD: Well, and that goes back to the
25 broad discretion given to the state engineer who made

1 the logical conclusion that if you -- if he starts
2 initiating forfeiture and abandonment proceedings now,
3 that it will have the perverse result of increasing
4 pumping in an already compromised basin.

5 And as you pointed out, uh, that it could have a,
6 uh -- it could take years to solve the administrative
7 and legal proceedings that the statute doesn't afford.

8 So, um, there are other things I can say with
9 regard to beneficial use, but my time is up. I
10 appreciate the Court's time. And I -- I again want the
11 Court -- Court to go back to the purpose of the
12 statute, um, is -- needs to, um -- would -- it would
13 begin a no effect if a GMP must strictly conform to
14 priorities. So --

15 THE COURT: Do my colleagues have any additional
16 questions for counsel? All right. Seeing none, uh, the
17 Court would like to extend its thanks and appreciation
18 to Ms. Leonard and her colleagues, Mr. Mixson, Mr.
19 Rigdon, uh, Mr. Taggart.

20 Uh, I'm sure you are writing notes. Um, thank you
21 all for your excellent arguments today, and your
22 exceptional briefing in the case. Uh, the matter will
23 stand.

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I, Chris Naaden, a transcriber, hereby declare under penalty of perjury that to the best of my ability the above 65 pages contain a full, true and correct transcription of the tape-recording that I received regarding the event listed on the caption on page 1.

I further declare that I have no interest in the event of the action.



June 27, 2022

Chris Naaden

(Diamond National v. Diamond Valley Ranch hearing, 6-2-22)

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1	2000 54:6	4	534.110(7) 48:10	839 7:12
1 2:1	2011 3:22 22:15 54:4	4 7:11	534.120 56:18	892679 1:21
10 2:3 4:21 11:18 12:9 13:11 22:22 47:22 54:6 57:17	2016 28:23 29:5 52:10	4.037 31:22	5344.110 9:21	9
100 8:5,8,17 13:7 18:3 61:17	2017 54:7,12	40 42:10 44:10 50:23	6	90 13:11
126,000 28:18 29:4	2019 9:21	40,000 52:15, 18	6,000 62:6	99.9 13:12
12th 2:11,24 3:1,6	2022 1:15	46 58:12	6,500 42:6 52:17	A
15 20:8	290 45:13	5	60 3:19	a- 30:24
1960 2:11,24 3:2,6,16 8:23	3	50,000 29:5,9	61,000 52:11	ab- 41:3 43:12
1960s 2:16	30,000 2:22, 25 7:16 13:5 52:19 61:19	533 4:12	6:26 19:24	AB419 3:23 4:18 22:15 46:20 47:17 57:14
1961 3:16	34,000 36:9, 13 43:21	533.085 44:2	7	abandonment 65:2
	34,200 42:3 52:18	534 4:12	76,000 28:25 29:4	ability 26:5 44:4
2	35 6:22,25 7:5,18,19,24 8:25 36:2,10 42:3,4 44:12 62:14	534- 31:22	8	able 14:13,14 16:20 37:15
2 1:15 5:23		534.037 5:1,7 11:25 15:21 30:10,20 33:13 36:5 50:6	80 13:11	above 50:7
20 13:11		534.110 22:8 32:24,25 33:3	81 3:10	absolutely
			838 7:12	

10:9 37:5 41:3,22 43:12,22,24 48:15	28:18 29:1,4, 5 36:9 42:3,6 52:11,17 61:19	addressed 16:12	41:13	agreed 6:20 20:5,12 36:4
accepted 57:13	act 14:24	addressing 20:13	affairs 12:11	agricultural 2:13
accomplished 26:10	acting 12:4	adds 22:16, 17	affect 3:12 4:9,10 13:24, 25 53:21 62:17	ahead 41:14 50:25
account 7:13 8:14 54:2 59:20 62:16	action 17:14, 24 40:1 41:2	adjudication 43:6	affected 5:16	aliquot 23:17
accounted 42:19	actual 26:5 50:5	adjust 33:11 48:24	affects 64:23	all 4:18 6:4, 11,22 10:14 13:5,25 14:1 15:1,6,9 17:16 19:24 20:2 21:15,23 23:4 28:6,16 30:25 35:5 36:24 37:24 40:7 42:8 47:25 48:2 50:19 51:7 53:11 55:20 56:6 57:5,18 61:1,17,19 62:10 63:7 65:16,21
accounting 7:7	actually 7:10 25:23 27:5 34:18 37:13 41:21 45:11, 24 49:25 52:23	adjusted 49:9	affirm 18:21 36:22 54:15	
accurately 35:7	add 19:25 52:16	administer 56:19	afford 65:7	
accused 28:15	added 47:20	administrativ e 58:16 65:6	after 11:23 42:4 62:14	
achieves 36:1	additional 43:21 65:15	adopted 16:8 17:6,13 19:2 26:12 37:23	again 13:14 15:6 41:7 49:4 50:17 65:10	
acknowledge 32:3	address 3:23 5:15 12:22 20:15 22:3 24:10 30:19 34:24 54:22, 23,24 55:2,3 57:5 63:25	advance 18:15 57:22	aggressive 7:23	allocated 37:4
acknowledge d 45:24		advocacy 54:10	ago 53:17	allocations 26:2
acre 2:23,25 7:16 13:5		advocated 43:8 48:11	agree 10:9 14:1 18:3 32:7 35:25 41:1 47:15 48:18 60:10	allow 12:19 22:14 32:4 33:13 61:24
		advocating		

allowed 5:11 12:17	9:21	appellants 2:8 21:3 31:16 40:6 48:11	appropriate 2:18 8:21 17:20 18:4 24:8 26:8 29:19	approved 4:25 6:8,9 11:8,24 17:24 30:24 33:3 38:21 47:24
allowing 33:6	amount 6:25 19:10 25:13, 19 27:6 52:14 62:4	appellants' 30:22	appropriated 41:1 59:16	approves 22:23
allows 11:10 20:14 36:10 40:6 57:16	an- 47:21	appendix 3:8 7:11,24 41:24	appropriation 3:5,24 4:11, 13 5:9,14,17 9:19 10:24 15:13,15 20:13 21:4,9 23:19,20 25:5 31:25 32:15, 25 33:11,21 35:14,18,20 37:24 46:3, 13,14 59:7, 10,11 60:15 63:23 64:1	approving 16:6
alluded 24:17	analysis 11:13 53:22 62:18	applic- 46:1		approximatel y 28:18,25
already 12:3 31:14 44:16, 17 56:17 65:4	analyze 4:5	applicability 46:2		aquifer 2:21 7:8,15 20:19 25:20 42:8 55:23,25 57:25 62:23
also 2:8 3:13, 25 6:17 13:3 16:17 20:12, 20 31:19 34:25 39:22 42:17 50:6 56:16 57:22 63:23	annually 2:23	applicable 21:1		area 4:18,21 11:18 12:5 19:7 22:21 33:5,14 50:10,11 51:7 56:14,22
alternative 24:24 27:13	another 7:10 8:25 13:13 15:21 18:2 34:11 42:4 44:12	application 3:4 40:2	appropriation s 3:1,15 13:25 14:1 39:16, 17,18 47:2 54:18	areas 12:9 51:8
although 28:3 42:14	antecedent 47:21,23	applies 30:15	appropriators 3:3	arguably 30:19
altogether 41:10	anything 12:2 14:9 58:25	apply 30:12	approval 5:13 6:1	argue 32:1 44:22 45:5
ambiguous 11:4 47:10,13	apart 31:24	appreciate 20:10 28:8 65:10	approve 8:13 21:7 31:5 34:7	arguing 40:16
amendment	apologize 41:13	appreciation 65:17		
	appealed 45:13	approp- 6:24		

argument 18:15 25:22 27:10 29:17 30:22 31:23 40:5 44:6 48:7,8 57:21, 25 60:1 61:8 63:18	45:10 attempts 20:25 attention 30:1 31:6	awkward 15:23 <hr/> B <hr/> ba- 51:3	bank 64:9 banking 63:11,13,17 based 8:18 23:25 36:4 55:22	basins 4:2 10:11 19:2,9, 16 46:10 50:3,4 56:20 57:1 basis 8:18 17:23 23:16, 17 60:13
arguments 17:5 65:21	attributes 59:3	back 8:3 13:15 15:11 39:12 50:4 51:12 53:7 54:21 56:25 61:21 64:5,24 65:11	basic 13:2	bean 28:16
around 3:15	AUDIO-RECORDED 1:9		basically 10:18 40:6	bearing 50:18
articulated 27:11	authority 56:3,19	backs 23:12	basin 4:20 5:1 6:25 7:5, 15 8:3,16,20, 21 9:24 11:17,21,25 13:7 14:17,20 19:7 20:23 21:11,22 22:13,20 23:9 24:20 29:1 30:19,25 31:12 33:19 36:12 41:22 44:14 46:5 50:13,23 51:3,12,18,24 52:10,25 53:7,14 54:20 55:23 56:13 57:9 59:3 62:3,7 64:23 65:4	became 3:2
Assemblyman 47:4	authorized 19:11 41:1	backwards 9:10		before 1:10 12:14 22:15 24:16 37:20
asserting 47:9	authorizes 5:2	Bailey 17:22		begin 34:22, 24 65:13
associated 2:14 19:23	availability 55:17	Baileys 6:11 30:7 36:6,22 42:17		behalf 2:8 30:6 43:15
ASSOCIATION 1:14	available 52:19	bal- 24:20		behavior 13:6
assuming 17:23 59:25	avoid 3:25 8:7 41:8 50:14	balance 7:5 8:3 13:7 41:22 50:4,13 51:4,12,19,24 52:4,11 53:7, 15 54:21 56:14 62:14		being 15:23 28:15 29:15 34:19 37:22 46:5,6,9,11 51:25 52:17
assumptions 14:23	away 8:4 35:13 50:24	BANC 1:10	basin's 2:23	beliefs 63:6
assure 48:13				believe 11:14
attempting				

47:12 52:1 56:10 58:11 62:14 64:16	47:5 49:21,23	29:25 42:3 43:15,16 47:19	49:9	certainly 10:23 14:18 29:25 41:4 61:24
below 3:11 18:12,13 29:11 50:14	blame 45:2	brunt 50:18	cancellation 25:17 34:12, 16	certificate 5:12 25:11, 13,16
benchmark 7:6,22 28:24	bleed 34:23	burden 50:19	candid 16:11	cessation 56:1
beneficial 20:14 21:10 24:9 25:7,14, 25 26:5,9 27:7,9 29:12, 15 32:2 39:20 54:23 63:12, 16 64:5,7,10, 14 65:9	board 6:2	buyout 34:2	cannot 35:13 49:14 55:21 60:19 61:4	challenge 6:16
	brief 58:12	C	capable 25:14 30:7	challenged 6:10 36:6
	briefing 65:22	ca- 7:8 39:11	case 8:18 9:4 21:6 33:24 38:13 43:1 45:8,9 48:11, 23 49:1 58:10 65:22	challenger 27:17
	briefs 45:18	calculate 29:11	cases 42:24	changes 15:24 28:8
	bring 7:4,15 8:3 40:14 41:22 44:18 45:22 50:3,13 51:18,23 52:4 53:7,14 54:20	calculated 28:3	catch-all 30:16	change 9:20 13:6 48:2
best 58:14	bringing 43:17	calculation 26:6	causal 59:1 60:20 61:14	changed 47:19
better 40:21 64:22	brings 8:10 51:3	calculus 26:14 27:13, 24 29:20 30:3	cause 20:21 45:14 61:25	changing 48:1
between 2:13 3:2 15:25 26:11 29:3 54:25	broad 56:3, 12,19 64:25	call 39:23	century 20:22	chapter 4:12
beyond 19:13 61:12	broader 60:13	came 15:5 16:19	certain 9:19 57:2	characteristic s 8:16 10:12
big 19:22 43:19	brought	can't 14:8,17 19:18 28:6 29:16 34:9 39:13 40:8		
bill 46:24,25				

31:12	57:15	38:12,19 41:4 46:11 56:13 61:21 64:22	completely 42:17,19 47:15	concern 16:1 27:10
characterization 21:13	client 62:7			concerns 40:20,22
characterize 9:8	clients 14:24 26:23,24 30:6 37:10 40:25 43:15 44:16 58:8	comes 10:17	complex 55:19	conclude 48:22 59:6
charged 37:13		coming 37:14	complexity 56:25	concluded 51:3 57:11
Chief 1:10 37:1,7 40:13	climate 44:13	Comma 11:22	complicated 56:2	conclusion 57:7 58:3 65:1
circumstances 5:4,8 9:19 10:25	close 33:19 44:25 55:15	comment 7:1 43:14,16 53:3 63:4	complied 18:20	condition 20:21 47:22, 23 55:23 57:24
citizens 34:4	CMA 5:4 14:6 31:4 36:1 46:11 47:22	comments 17:1 27:1,4, 21	complies 5:6 8:1 31:20	conditions 22:13 47:25 48:1
claim 17:23, 25 18:5,9 40:25	co- 37:8	committed 9:3	comply 54:18 63:11	confer 18:25
clarify 62:1	code 40:2 46:13 48:13, 24 58:21	committee 37:13	component 34:10,11	conflict 48:17 58:21
clear 4:13 6:1,15 8:2 9:9,17 10:16 11:7,10,14 16:23 17:2 40:10 46:18 54:16,17 55:4 56:16 57:5 61:3 62:11	collaboratively 63:8	common 33:24	components 34:13 35:11	conform 4:23 5:3 10:21 11:9,21 21:22 65:13
clearly 13:9	colleague 37:4	community 2:13 5:20 16:19	comport 23:18 64:11	connection 61:14
	colleagues 58:5 65:15,18	community- based 13:18	compromised 65:4	
	come 3:17 5:20 16:9,20 37:18,25		conceded 31:25	

cons- 63:24	consistent 44:13,14 56:17	50:2 57:9 61:12	County 2:15 3:13	37:3,6,8,11 38:18 39:11 40:11,15,24 41:5,9,13,15 42:21 43:2,8, 11,17,19,23 44:22 45:6, 17,21 46:18, 19,22 47:9 48:7,16,20,22 49:3,7,12,15 50:25 51:1, 10,16,25 52:3,12,21 53:16,25 54:1,2,11,13, 15 55:1 57:10 58:15,19 59:5,11,14, 21,25 60:8, 13,21 61:6, 10,11 62:1,6, 10,11 63:1,2 64:4,15,21 65:11,15,17
consecutive 4:21 11:18	constitute 63:12	continued 57:16	couple 18:5	
consequence 40:24	constitutional 17:19 40:20, 22 41:8 60:17	continues 44:11	course 8:4 19:17 22:3 32:1	
conservation 1:14 34:25 38:3	construction 12:23	contradict 45:2	court 1:10 2:5,7 3:8 4:4, 8 6:21 7:18, 25 8:8,22 10:7 11:1,12 12:15 13:17 14:16,19 15:16,19 16:16 17:4, 16,18 18:7, 10,16,18,22, 25 19:5,8,15, 24 20:7,11, 17,18 21:12, 25 22:5 23:1, 14,23 24:6, 12,15,16 25:1,22 26:6, 19,22,24 27:2,8,16,18, 22,24,25 28:4,7,13,15, 19,22 29:2,7, 14,17,23 30:2,9,16,21 31:18 32:3, 10,13,20 33:6,9,16,22 34:4,14,16,21 35:16,21,24, 25 36:3,14, 18,20,22,24	
conserve 13:11 47:7	consultants 15:2	contrary 48:12 60:9		
conserving 13:12 63:25	consume 13:5	copied 47:18 48:4		
consider 27:14 31:1 56:23	consumptive 7:9,14	core 21:6		
consider- 18:4	contain 50:8, 13	Corr- 49:11		
consideration 16:21 26:9 30:11	contemplated 24:19	correct 7:21 19:12 25:24 35:23 45:20 48:15 49:13, 14		court's 19:12 30:1 36:7,23 53:18,23 57:7 58:3 65:10
consideration s 26:13	contemplatin g 23:24	correctly 51:2		courtroom 2:9
considering 18:5	contention 11:1	could've 4:11		courts 50:16
considers 31:17	continue 15:11 44:15	counsel 19:1 21:12 37:9 53:16 65:16		cover 41:25
		counter 28:16		covered 41:25 42:2

create 13:15 20:25 33:25 58:9	24:4,18	dates 41:18	44:11	11:2
created 4:18 12:5 47:20	curtailed 10:6 55:9	day 18:2	decree 42:22	designate 12:8
creates 12:24 22:24	curtailing 12:10 25:5	days 3:17	deemed 16:3 56:21	designated 4:20 11:17 19:7 22:20,22
creating 58:20	curtailment 3:7,12 4:1 8:5,6 13:7,13 19:19 22:24 24:23,25 25:21 32:23 33:1 55:4 61:17	deal 29:19	default 24:20	designates 22:13
criteria 8:14 12:24 14:3	curtailments 19:15	dealing 41:16	deferential 51:15,25	designation 4:19 5:5 12:5 14:6 31:5 33:14 36:2 50:10,11 56:15
critical 2:11 4:18,21 11:17 12:5,9 19:7 22:20 33:4,14 50:9 56:14	curtails 9:24	debate 6:19	deficiencies 26:17	despite 20:9
criticizing 9:12	cut 3:6	debated 43:9	definitely 49:14	determination 26:18 30:8 36:7
cumulatively 2:25	cutoff 3:12,18	Debbie 2:7	definitively 45:12	determine 39:13 54:3,7
currency 51:21	cutting 44:7	decades 44:11,13	demand 25:19 27:4 36:12	determined 2:22 38:25 39:11 53:9 55:17,18
current 19:19 35:14 42:25 54:9	dangerous 45:23	decide 17:20 18:18 56:12	demarcation 3:2	determines 31:3
curtail 12:1 22:14,21	date 2:11,24 41:18	decided 45:12	departed 10:24	determining
	D	decision 18:19 19:13 36:23 45:13	depends 55:6,9,13	
		declares 58:21	deserves	
		decline 45:15 50:3,24		
		declines		

41:6	dire 20:20	7:25 17:18 18:15,18 27:25 29:23 30:1 31:18 36:3,7,23 43:17 46:18, 19,22 51:16, 25 53:18,22, 25 54:1,2,11, 15 55:1 57:7, 10 58:3,15 61:11	22 11:20 21:19,21 36:11	ecological 50:22
devastating 4:1 5:18	direct 61:13			economic 10:13
develop 54:17	disagree 51:2,5		done 12:8,25 15:14 33:24 37:24 49:25 50:2	economics 15:3
developed 29:21	discretion 33:2 56:12 57:3 62:22 64:25		down 30:16 35:9 42:3,14 44:15 47:19 61:18	effect 19:22 44:24 59:1 60:20 65:13
developing 26:20	discuss 39:23	ditches 38:4		effectively 46:14
development 6:19	discussion 7:2 22:9	divide 20:12	draw 31:6	effects 2:14
Diamond 1:13,14 2:9, 12,17,19,20 3:11 6:11 19:13 20:19, 24 21:1	disingenuous 56:10	doctrine 3:5 9:19 15:13,15 20:14 21:5,9, 10 23:19,20 25:5 32:1,2, 15,16,25 33:21 35:14, 18,20 39:18, 19,20,21,24 40:3 43:25 46:3,12 63:23	drilling 44:24	efficiencies 35:1
difference 2:12 29:3 60:11	dismissed 43:3		dry 42:8,11, 17,19 50:24	efficiently 63:22
different 10:14 13:10 18:2 21:21 47:13 55:16	dispute 20:19,20 21:4		dually 3:19	effort 4:5
difficult 9:1	disputing 35:4	doctrines 40:4,17 44:1	during 6:19	either 16:25 29:23
diligently 3:18	distinction 54:25	domes- 10:1	duty 24:20	electricity 44:18
	distinguishable 9:4	domest- 21:20	earlier 47:6 60:22 62:13 63:3	element 64:1
	district 4:4	domestic 9:21 10:1,4,	easy 52:19 55:15	elsewhere 10:23
			<hr/> E <hr/>	

emphasize 15:6	29:23 30:10, 23 31:10,16 33:2,13,23 34:6 36:4 38:18,22,23 39:2,3 40:1 45:12,14 49:24 50:2 51:15 52:1 56:3,12,19,23 57:18 60:5,6, 10 62:22 64:16,25	equipment 38:3	23:7 26:3 36:13 41:11 42:11,19 52:23 61:16	17:22 25:7,20 26:1 35:3
EN 1:10		equipoise 36:1		exceed 57:10
encompasses 61:1		era 63:5	every 42:14 50:7	exceeded 19:10
encourage 13:18 64:21		erred 51:16	everybody 6:2 46:8	exceeding 13:14
end 31:6,17 36:21 42:3 63:17		error 53:21	everyone 15:1	exceeds 50:11
ended 58:16	engineer's 17:24 19:1 20:22 26:18 30:6 54:8 56:10 57:3 63:10	essential 56:21	everyone's 55:4	excellent 65:21
ends 37:16		essentially 13:13 25:9 45:3	everything 3:20	except 22:16
enforce 5:17 25:4,17	engineering 51:22 53:2,4	establishing 24:8	evidence 18:19 45:1 48:21 49:16 51:11,13,17, 20 52:9 53:11,12 58:4 59:19,20 60:4,6,9,12 61:9,21,25	exception 5:9 15:12 32:22, 24 33:3
enforced 4:2	engineers 53:13	establishment 16:2		exceptional 65:22
engineer 2:18,22,24 4:22 5:2 8:13 9:13,23 10:20 11:9,19 12:1, 4,8 14:10,13 15:22 16:4,6, 12,14,17,24 18:20 21:7 22:12,19,21 24:3,19 25:3, 9,17 26:20 27:5,14 28:2, 14,21,25	enough 18:21	Eureka 2:15 3:13		excess 55:21 57:16
	entire 32:24	evaluate 23:2	exact 47:18 48:4	exclusion 13:1
	entirely 20:25	evaluation 24:9	exactly 8:23	exclusively 14:7
	entitled 23:21 35:18	even 6:22,25 9:23 10:6 13:12 19:16	example 9:22,25 10:2 15:8,22 16:13	excuse 50:25
	equalizes 6:22			

57:2 61:4	explicit 10:7	7,9,21 36:4,5 50:6 55:20	15:3 47:7	follow 32:5 50:8
exempt 32:8	explored 15:1	factual 26:18 52:1	figured 37:6	force 34:9
exercised 55:21	express 32:12,18,21, 22	failed 54:2,6	file 44:1	forfeiture 65:2
exist 4:19 12:13 13:16 15:24 22:25	expressly 4:11 5:2 32:17	failure 20:22	filed 17:18	form 40:14
existed 22:15	extend 65:17	Fairman 51:2, 6,7,8	final 25:10	formal 27:20
existence 55:6	extra 20:9	fall 3:11	find 46:22 53:21	forward 8:25 9:11 64:22
existing 32:11	extremely 15:23	falls 31:24 57:21	Fine 2:5	forward- looking 9:16
exists 31:14 56:18	<hr/> F <hr/>	false 64:14	first 3:9 4:13, 14,17 5:11 6:22 9:6 12:22 15:20 19:5,6 57:5 63:4	found 44:2
expect 6:2	face 9:4 50:15 52:16 61:22	far 19:13	fits 7:1	four 44:10 54:16
expecting 38:8	facing 44:19	farm 2:17 35:2	float 28:9	free 50:20
expert 53:1,5 56:9	fact 12:17 39:3 44:9 47:3 62:17	farmers 2:9 35:5	flowing 50:20	front 16:24 17:3 18:15 28:12 29:22, 23
expertise 56:5	factor 6:18 16:3	feet 2:23,25 7:16 13:5 28:18 29:1,4, 5 36:9 42:3,6 52:11,17 61:19	flows 55:8,14	full 23:21 26:2 35:19 56:11 62:7
experts 15:3 56:11	factors 8:14 16:2,5 26:13 30:9,20 31:1,	figure 10:18	focus 8:10	fully 32:7
explains 56:2			folks 64:21	fundamental

21:8,9 26:17 32:14 39:18 44:1	getting 49:25 50:2	gone 29:20	H	having 30:23
fundamentall y 31:18	give 12:9 16:13 34:5 35:15	good 2:6 9:22 41:20	ha- 41:17	head 36:17 55:15 62:25
funding 34:3	given 25:12 26:2 43:5 56:18 64:25	grade 47:7	had- 36:6	health 14:16
future 9:1		granted 28:20	half 20:22 44:12 52:24	healthy 14:20
G	GMP 3:8 5:13 6:7,11,15,17, 19,22 7:4,17, 24 8:13 11:7, 11 12:6,12,16 14:10 16:2,15 17:1,6 21:4 22:4,23 23:3 24:4,8 25:23 26:1,8 28:24 33:2 41:1 50:8 51:3 54:17,18 57:6,20,23 58:1,20 59:8, 17 61:4 62:15,19,24 63:25 64:5 65:13	gravely 3:12	handling 21:20	heard 41:21
G- 6:7		ground 44:18	hands 10:15	hearing 1:10 17:1 27:21
gates 55:15		groundwater 2:18 3:1,11, 24 4:2,25 5:5 6:14 11:24 12:18 13:23 20:19,23,24 21:7 22:13 26:3 30:24 31:3,20,24 32:4,8,17 33:7,10 35:4 37:14,23 38:7,8 39:19 42:4,15 44:2, 13,23 45:15 46:16 47:24 48:9 55:1,16 56:25	happen 13:21 38:17	held 17:1
gathering 30:8			happened 38:13	help 15:3,24 38:2,3,4 40:11
gave 56:3			hard 16:21 38:10 51:14	Herald 52:22
general 46:1			HARDESTY 1:11	here 6:12,17 7:3 11:11 15:4 17:25 23:3 24:13 25:22 26:14 28:7 32:19 37:8 38:14 40:5,11,16 41:18 43:18 44:6 45:18 59:6
geographic 31:13			hardware 38:7	
geologic 55:19	GMPS 19:2	guardrails 8:12	harms 50:15	
geologists 56:5	goal 33:12,15	guess 19:5	Harold 8:23 51:22	here's 13:23
geology 8:19 10:13	goes 13:15 35:9 38:6 56:25 64:24	guided 39:3	hate 28:12	higher 6:3

36:13	hydrologic 31:9 55:19	impair 44:4 49:17 60:14 61:4,23	51:9 54:20	65:3
highly 56:4 62:21	hydrologists 56:5	impaired 59:7,17	incapable 29:13	indicate 59:15
hired 53:1	hydrology 8:15,19 10:13 30:19 31:11	impairing 44:8	incentive 38:12	indicates 52:23
history 11:5 46:19 47:11			incentives 47:7	indication 64:15
holder 26:4	I	impairment 20:15 22:4 39:24,25	incentivize 35:12 37:25	indicative 53:20
holders 5:12 6:5,10 9:3,22 13:20,22 14:21 15:25 48:25 64:6	idea 34:7,8 63:21	impairs 58:2	incentivized 38:5	individual 8:20 10:11
honestly 28:6	ideas 15:2	implicate 40:20,22	include 15:9 36:10 42:5 61:2	information 30:8
Honor 7:6 8:9 9:5 11:15 14:22 16:10 24:11 48:19 59:13,18 60:3 63:13	ignore 40:7	imply 12:19 23:7	including 11:19 21:3,18	infringe 39:14,15,16, 19
	ignores 22:9 44:9	implying 23:11	inclusion 21:20	infringes 39:17,20,23
honors 2:6 6:18 54:22	illogical 57:22	important 5:8 6:7 16:14,18 22:24 46:4,6 48:6 54:25	inclusive 21:15	initiating 65:2
hope 14:11	im- 49:17	importantly 6:17 37:12	inconsistent 54:9	injured 44:24
hydraulic 55:19	imbalance 7:20 24:21	inaudible 26:23 28:16 37:10 42:5 46:12 47:4	incorporated 26:7,14	instance 13:18 41:15
hydrogeologi sts 56:6	immediately 8:6		increasing	intend 4:7
	impacts 3:24 4:1 19:13			intended 4:8

20:8 40:9 46:17	intrigued 27:9 29:18	issued 2:25 3:11,19 25:8 45:14	27:11 37:1,7 40:13 60:22 62:12	24:3 32:12 40:10 47:18 48:4
intent 4:3,5 12:19 53:17, 20 54:4	intriguing 28:9	issues 20:13 40:14 63:9	K	later 12:10 41:4
interest 38:24 39:7,14	introducing 49:20	J	keep 10:10	lathered 17:17
interested 9:10 14:19	invested 4:9 20:15	Job 1:21	key 4:24 10:10 14:2	law 12:3,14 13:16 25:3 31:21 32:11 35:8 39:19 44:2,3 46:1, 15 47:17 54:5,8,10 63:11
interpret 17:11 48:9	investigation 46:20	joint 7:11	kind 23:3 38:6 39:25	laws 40:7 44:5
interpretation 21:25 22:6,8 40:17,18 41:11 47:1 48:12 51:8 57:13	involved 56:22	Judge 51:2,6, 8	kinds 33:9	laypersons 27:3
into 7:5,13 8:3,10,14 9:1 10:17 13:7 16:21 17:8 30:11 37:17, 21 38:15 46:19,20 50:4,13 51:4, 12,18,24 52:4 53:14 54:2,21 56:13 59:20 62:16	Ira 37:10,12	judication 45:11	known 3:7	least 4:21 11:18 20:22 30:5 33:18 43:6 46:15 49:18 57:17
	irreconcilably 48:16	judicial 17:9, 11 18:6	L	leave 57:1
	irrigation 28:20 29:1 35:1	JUNE 1:15	lacks 45:19	left 62:25
	irrigator 9:25	junior 3:3 10:1 13:20,22 15:25 21:2 23:13 35:15 45:15 58:25 59:4	laid 27:12	leg- 54:6
intractable 5:15	issue 6:23 17:8 24:13 26:11,25 27:9 28:2,10 40:23 43:16 45:8, 10,25 49:5 52:1 58:18 64:17	juniors 3:17 13:11 37:25 38:5,14,19 47:6 61:17	land 2:19 3:18	legal 27:20
		Justice 1:10	lands 50:22	
			language 4:16,24 5:2,6 8:2 10:17,20 11:13,16 12:25 21:15 23:2,6,11	

31:8,11,15 65:7	17:23	Lewis 9:4 33:24	LLC 1:14	M
legislate- 57:2	lens 4:3	light 19:20	local 5:19 10:15	made 4:5 6:1 15:12 17:5 26:7 46:18 62:15 64:9,25
legislation 14:4 40:10 49:19 53:19 54:3,7,12 56:4,16,17	Leonard 2:3, 5,6,7 4:15 5:25 7:4,21 8:9 9:5 10:9 11:6,15 12:21 14:2,18,22 15:16,18 16:10,17 17:15 18:3,8, 11,24 19:4,6, 12,18 35:25 47:14 54:22 58:24 59:9, 12,18,23 60:3,9,16 61:3,7,11 62:4,8,20 63:2,13 64:12,20,24 65:18	like 3:7 5:10 17:25 28:4 37:3 43:19 48:23 62:17 65:17	located 7:10 10:14	major 6:19
legislative 4:3,5,22 11:4 46:19 47:11 50:1 53:17,20 54:3		limit 4:23 57:18,19	logically 50:12	majority 5:12 6:1,4,9,20 10:17 15:5,7 21:10 30:25 34:4 38:20,22 39:4,6
legislators 46:24		limitation 11:20 21:18	long 5:5	
legislators' 7:3		limited 5:4,8 10:25 45:25	looked 53:6,7 54:6	make 4:13 6:15 8:11 10:5 30:8 44:20 45:10 47:8 54:16, 17,19,20 56:20 58:1 60:11 63:21
legislature 3:22 4:6 5:11, 13,19,25 6:3 8:7,11 9:9,18 10:3,11,15,24 11:25 13:9,15 14:4 15:7,14 17:6 32:4,8, 16 35:21 38:8 40:9 46:17 48:24 49:17 56:2,18 57:1 60:14	Leonard's 21:13 22:9	line 3:2,12,18 4:14 10:23 15:13 38:3	looking 9:10 51:7,9,13 54:11	
	less 25:16 55:22	listed 8:15	loose 58:6	makes 8:2,4
	let 6:21 30:19 39:12 57:4	litigate 17:20	lose 3:19 63:24	making 5:9 14:20,23 49:8 58:1 61:7
	letter 45:24	litigation 42:22 43:20 58:8	loss 2:14	
	level 44:11	little 52:14 63:19	lot 11:12 16:22 17:17 28:7 37:17 55:13	man- 35:3
legitimate	levels 44:15	livelihoods 2:10,14	lots 19:8	managed 9:13
			lower 52:24	management

4:18,21,25 5:5 11:17,24 12:5,9,18 13:24 19:7 20:24 21:8 22:20 26:3 30:24 31:4, 20,24 32:5,8, 17 33:5,7,10, 14 35:4 37:14,23 38:7,9 46:12 47:24 48:10 50:10 55:14 56:14	29:12 32:20 36:19 37:8 38:19 40:25 47:20 48:2 62:2 maybe 30:13 40:24 49:5,7 mean 24:21 34:8,16 38:18,19 40:25 59:4 64:4 meaning 3:16 11:2,6 21:14 44:15 means 33:17 41:7 50:12 55:20 meant 47:1 measures 34:25 measuring 35:6,8 meet 50:15 meeting 43:15,16 53:3 meets 62:18	member 37:13 mentioned 9:5,7 18:14 47:6 51:23 63:3 meter 35:6 Mexico 33:24 might 7:22 14:23 26:12 28:5 52:23 55:8,11,12 60:10 mind 10:10 22:6 minutes 2:3 19:25 20:1 37:3 misleading 63:19 misunderstood 62:2 mitigate 15:24 Mixson 20:3, 4,8,12,18 21:24 22:2,7	23:10,18 24:2,11,14,24 25:2,24 26:6, 15,21,23,25 27:3,15,17, 19,23 28:1,5, 11,14,17,20, 23 29:3,8,15, 17,25 30:3, 14,18,22 32:7,11,14,22 33:8,12,17,23 34:8,15,20,22 35:17,23 36:3,16,19, 21,24 39:21 51:1 65:18 Mixson's 47:15 Mm-hmm 16:16 18:7,10 28:19,22 29:2,7,14 37:11 40:15 49:3,15 52:12,21 modifications 49:10 modified 9:18 moment 53:17 money 9:2,3, 16 34:1 36:11	more 2:20 7:22 10:7 12:4 30:13 42:5 54:16 55:13,22 morning 2:6 36:25 most 9:20 42:12 44:1 63:21 move 24:16 much 37:2 54:21 multiple 51:20 55:19 must 4:4 32:17 50:8,13 65:13 <hr/> N <hr/> name 2:7 13:13 NAT 1:13 near 61:16 necessarily 12:18
--	--	--	--	---

necessary 14:5,15 50:9	31:10,14 65:16	41:24 43:5,6	19:3,4 24:6,9 25:20 26:17 30:12,13 37:9,22 40:6, 12,17,19,21 43:13 44:1,9, 20 46:22 50:7 62:20 63:15	33:11 58:9
need 11:4 12:2 15:9 17:8 35:12 61:24 64:3	northern 42:12 44:23	O		opposed 23:3
needs 18:18 57:1 65:12	northernmost 42:13	oath 27:23		opposite 25:23 47:13
Nevada 23:20 25:3 32:15	note 6:8 22:10 58:5	object 7:3	ones 50:17	option 24:22, 24
Nevada's 21:8	notes 65:20	obligation 30:7	only 4:6 5:3 6:10,16 7:14 13:6 17:2 19:3,4,5,6 21:1 25:12 33:3 34:18 41:25 46:3,4, 5,8 52:14,19, 25 53:5 54:15 56:9 61:19	order 11:19 12:11 16:11 21:16 25:9 39:5 46:21 47:8 53:18,23 63:10
never 6:22 29:12 45:7,13 58:8 64:13	nothing 44:3 55:11	obtaining 2:17		orders 19:19 56:21
new 12:12 13:16 20:25 33:24	notice 64:17	obviously 19:20 30:14 31:9 34:9 63:10	onus 5:19	originally 43:25
next 8:10 63:15	notify 64:17	occurred 3:15	open 36:8 55:15	other- 47:10
non- 25:20 39:23	notion 15:11 22:2 56:8 63:20 64:13	occurs 55:4	opening 58:12 60:23	otherwise 22:17
non- impairment 40:3 43:24 48:8 49:8	NRS 5:1,7 9:21 11:25 15:20 44:2 56:18	off 3:6 36:16	opin- 30:1	outnumber 38:14
none 21:3	number 3:14 6:3 8:14 9:6 12:21 28:24 36:14 62:5,8	office 56:11	opinion 53:13 59:22,24	over 6:24 17:19 37:24 42:22 44:10 52:14,18
	numbers 28:12 29:25	once 35:8	opinions 63:6	over- 3:23
		one 6:16 10:7 14:3 18:6	opportunity	

over-appropriated 34:18	paragraph 24:22,23	39:6 46:23,24 53:1 56:6 63:5,7 64:18	29:4 30:3,4 34:12,17	52:9
over-pumping 6:23	part 2:1 5:23 26:13 39:22 42:23	percent 3:10 8:6 13:7,11, 12 18:3 61:17	permitted 21:7	PJR 18:14
overall 14:16 53:22 59:3	particular 30:12 45:8 59:1,2 62:5	perennial 2:23 13:14 23:5 49:23 50:12,14 52:24 55:17, 21 57:10,17, 23 61:13,18	personal 53:13	placed 50:11
overpumped 46:5,6,9,11	parties 21:3		personally 26:21	plain 11:2,6, 13 21:14 60:21
overpumping 20:23 44:14 50:19	passage 46:20	perfect 10:2	perspective 15:22 30:5 52:5	plan 4:25 5:6 11:24 12:18 13:24 14:5 15:1 20:24 21:8 26:3,11, 12,20 30:24 31:4,14,20,24 32:17 33:7,10 34:11 35:4,11 36:1,8 37:14 38:12,15,25 39:2,4 40:2 41:21,25 42:1,2,20 44:10,11,20 47:24 48:10 50:14 52:14, 16 62:13 64:8
overturn 12:16 47:1	passed 3:23	perhaps 18:25 29:21	perverse 65:3	
overused 34:19	passing 49:18 54:4	permanent 55:23	petition 5:13 6:5 16:25 17:9,11 18:6	
owner 10:1	past 9:14	permission 23:11	ph 28:5 30:16 34:23 52:22	
owners 10:4	Paul 37:9	permissive 24:18 33:1	physical 8:15 31:12	
P	pause 6:21	permit 5:12 25:10,12,15 26:4	Pickering 27:11 60:22 62:12	plans 32:5,9 37:23 38:7,9 47:8
pages 7:12	pay 34:5 44:17	permits 2:17 3:10,19 25:8, 18 26:1,2 27:6 28:20	piece 9:16 13:3 34:13 35:10 51:17	play 10:17 43:20
paper 28:17 29:4,8 34:18	people 2:16, 18 3:13 10:16 14:23 28:15		pieces 51:20	
paperwork 17:17 28:7				

point 6:19 7:18 8:10 33:6 40:12 45:2 49:6,7 51:6 58:19 60:25 62:14	34:25	preserved 45:7	37:24 39:15, 17 46:3,7,12, 13,14 47:2,17 48:13,14 49:8 54:8,18 59:7, 10,11,15 60:14 63:22 64:1	proceed 20:2
pointed 39:21 65:5	practical 13:3,4	PRESIDING 1:11		proceeding 27:20 45:5
	pre- 41:15 50:15 61:4	press 18:12, 13		proceedings 65:2,7
polarized 63:5	pre-1913 41:17	presumably 29:10 33:17 38:23	priorit- 9:24	process 3:6 6:20 12:6,12 13:16 17:7 29:22 42:9
policy 10:3	pre-existing 57:12 60:17	pretty 55:15 61:1	priorities 6:18 10:21 11:10 12:16, 20 16:15 23:9,25 32:6 55:10,14 65:14	program 17:12 34:2
political 39:9	pre-statutory 39:24 42:6 52:5,7 58:22 59:16 60:15 61:2 62:16	previously 4:19 50:20		proof 26:9 27:9
portion 29:9, 10		primary 20:21 40:17	prioritized 10:3	proposed 64:6
portions 25:18 26:2 30:4	precedent 45:23 47:21, 22	principal 54:23	priority 4:1, 24 5:3 6:18 9:24 11:21 12:2 19:10 21:22 22:14, 22 23:4 24:4, 18 25:6 38:16 39:14 41:18	propriety 53:22
position 11:3 15:23 37:16 39:13	precipitation 19:21 55:7	principle 12:23		prospering 2:13
possible 13:21 40:18	premise 13:2 64:14	prior 3:4 4:10, 13 5:9,14 9:18 10:24 13:24,25 15:12,15 20:13 21:4,9 23:19 25:4 31:25 32:15, 24 33:11,21 35:18,19	probably 52:19 53:10	PROT 1:13
postdate 3:6	present 2:8 14:10		problem 3:22 5:15 17:13 25:25 33:25 34:1,17,24 63:24	protect 44:5
potential 15:4 49:2	presentation 37:21			protected 39:25 60:18
potentially	presents 5:14			protection

48:13	pumped 29:1, 5 36:10 52:8, 17 61:20	putting 64:7, 18	58:7	11:2 40:21 47:14 60:21
protections 58:22		Q	R	readings 40:19
prove 25:10	pumping 14:12 33:18 36:12 42:2 45:15 50:11, 14 52:13 53:6 56:1 57:9,23 58:25 59:3 61:12,15 64:22 65:4	qualifies 35:21	raise 15:19 26:25 27:24 56:8	ready 20:2
proven 26:4		quality 31:13	raised 15:8 28:2 40:13	reality 39:9
provide 12:13		quantified 26:16 27:12	raising 40:23	reallocates 21:1
provided 12:6 22:17 30:23	pumps 44:17	quantify 26:10 27:5	ran 42:17,18	really 9:22 10:15 18:12, 15 28:9 37:20 52:19 54:25 55:2,3 56:9
provides 12:24	purpose 49:20,22 50:3 54:11 65:11	question 8:17 17:4,10,21 24:16 25:8 26:15 27:8 36:8 41:10,20 53:5,6,8 59:13 62:21	Ranch 1:14 6:13	realm 18:17
providing 23:12 47:14	purposes 41:6	questions 15:16 18:22 37:21 65:16	ratable 23:2, 8,16	reason 40:22 52:4
provisional 25:9,12,15	pursuant 5:1 11:8,25	quick 52:9	rates 38:16	reasonable 23:15 38:25 39:2
provisions 48:12	purview 31:10	quickly 12:4 37:20	reach 37:15 41:12	reasons 18:5
pub- 39:12	put 5:19 10:15 14:4,25 15:23 25:11, 14 26:5 27:6 29:12,15 35:5 37:17 38:2 63:16 64:13	quote 49:25	reached 7:18	rebuttal 2:4 19:25
public 17:1 27:21 34:3 38:24 39:7,13 43:14,16 53:2 56:23	puts 33:25		reaches 42:15	recall 16:11 59:23
pump 10:1 55:25			read 22:10,11 23:10,14,16 24:1	received
			reading 8:22	

42:11,16 44:6	7:22 14:7 52:14	40:12,13 45:10	33:14	requirement 35:5 50:7
recent 9:20	refer 3:8 45:18	regulate 20:23	removed 36:2 56:15	requirements 18:21 62:18
recently 43:3	reference 52:2	regulations 16:8 56:20	Renners 6:13 42:11 44:19	requires 63:23
recharging 7:7,14	referenced 23:24	rejected 31:18	repeat 59:12	requiring 6:1
recognize 16:15	references 31:11 52:3 58:13	relationship 26:11	replacement 42:7,12,16,18 43:4 44:7,17 45:9	RES 1:13
recognized 10:11	referencing 23:7 58:6,8	relevant 16:3	report 8:23 51:22 52:10, 13,22 59:3,5, 14	reserve 2:3 23:4
record 8:23 16:5,24 17:3 27:13 36:18, 19 42:23 43:9 45:19 47:4 50:1 51:18,21 53:10 58:4,7, 9,16,17,25 61:9	referred 41:24	relied 16:24 17:2	represented 59:6,15	resolve 15:24
reduce 14:12 23:11 25:19 35:13 57:23	referring 7:7	rely 53:19	representing 38:24	resort 11:4
reducing 14:15 33:18	reflected 16:5	relying 14:6	represents 2:12	resource 19:22
reduction 7:6 23:2,4,6,9,16, 25 53:7	regard 8:17 9:7,16 15:15 45:9 51:11 53:18 54:4 57:7 58:4 60:11 63:18 65:9	remedy 25:21	request 26:19 27:4 36:22	resources 3:25 5:16 50:21,22
reductions	regarding 9:21 58:13	remember 28:6 36:9 62:5,8	require 41:11	respect 22:4, 7 35:11 46:15 48:24
	regards	remembering 28:8	required 4:22 6:4 15:7 31:1	respectfully 45:4 53:24 54:14
		removal 31:4 50:9		respond
		remove 14:6		

58:10 62:23	retirement 34:2	42:2,6 43:4 48:14,25 49:9,18 52:6, 17 54:24 55:8,20 57:4, 6,8,12 58:2, 13,22 59:4,7, 10,16 60:15, 18 61:2,5,7, 14,23 62:3,16 64:18	18:19,22 31:19 44:3 45:14 46:22 47:5 49:22,23 52:10 54:1 61:11 62:3,6 64:11	15:21 17:5
respondent 6:12	review 17:9, 11 18:6 47:15			scientific 31:8 36:5 51:21
respondent's 20:1	ri- 49:9		save 38:1 64:3	seasonal 55:6
respondents 6:17 18:13 55:2 56:8 57:22 58:5 61:15 62:15	Rigdon 20:5, 15 22:3 36:25 37:1,5,7,12 39:1,15 40:12,16 41:3,6,10,20 42:24 43:3, 10,12,22,24 45:4,7,20,22 47:12 48:15, 18,21 49:1,4, 11,13,16 51:5,11 52:7, 13,22 53:24 54:14 58:19 59:15 62:2 65:19	rule 35:7 38:22	saved 38:5	second 3:14 17:4 18:11
response 14:2 55:25 60:1 62:25		rules 56:20	say 4:16,17 13:23 14:13, 14 21:16 31:5,16 33:11 34:5,10 38:24 39:2 45:17 46:10 60:18 63:5 64:22 65:8	seem 17:25 21:15 48:23 53:19
responses 62:20		ruling 45:13		seemed 28:4
rest 31:20		run 28:11 42:8,11		seems 9:4 17:10 21:23 23:7
restrict 4:23 44:4		running 15:20 19:16 42:14	saying 9:14 11:3 43:19 48:8 58:1 64:1	sell 64:9
restricted 11:21 21:22	rights 3:5 4:9, 24 5:3 6:14 9:2 11:22 17:19 19:11 20:16 21:2, 21,23 22:3, 14,21 23:12, 21 25:8,19 26:7 29:8 34:2,6,23 35:12,14,15 36:11 39:24 40:1 41:16, 18,19,25	<hr/> S <hr/>	says 9:23 10:20 11:7, 16,23 12:22, 24 14:11 21:15,17,18 22:12,19 23:20 24:3	senior 3:2 6:4,9,13 9:2, 25 13:20,22 14:20 15:25 20:15 21:2 23:12,20 35:12,14 48:25 59:2,4
result 3:1 16:23 25:15 31:4 40:8 46:17 62:13 65:3		Sadler 6:13		seniors 6:10, 16 9:17 13:5 14:7,12 15:9 23:5,6 37:25 38:2,6,11,14,
resulting 55:7		Sadlers 42:16	SB73 53:19	
retained 15:2		said 4:10,11 5:11,14,18,19 7:25 10:18 12:7 15:7,9, 10 16:14	scheme 7:2	

21 54:19	shortage 23:22 46:4 55:5,6,20	single 51:17	somebody's 46:7	51:21
seniors' 27:10	shortcoming 63:22	sir 48:15 54:14	somehow 53:14,20 57:8,24	southern 52:24
sense 8:4	should 8:13 12:25 17:14 18:21 28:3 30:10 34:5 54:10	situation 5:15 9:8,14 39:10 44:19	someone 17:13	space 63:7
separate 17:14	shouldn't 23:1	six 22:9,12,16 24:17,23 32:25 47:17, 19 48:5	something 13:9 18:1 29:21 30:5 49:19 55:12 62:1,2	spacing 31:13
set 6:3 7:16 8:12 45:23 57:18	show 7:13 51:23 61:25	slowly 50:24	something's 10:6	speak 18:9
sets 31:11	shows 51:18 59:1 61:9	small 3:16	somewhere 33:18	speaks 24:18
seven 22:17, 18,19,23 24:5,22 32:23 33:4 47:19	side 53:12	snowpack 19:21 55:7	sor- 59:9	specific 10:12,22 28:2 40:9 53:8
shape 20:20	signed 6:5	social 10:13	sorry 62:11	specifically 4:17 10:20 16:11 27:4 47:5 59:23 62:9
share 60:24	significant 24:13 29:10	sole 30:6	sort 13:2 28:23 35:7 36:8	specifies 12:25
shared 60:22	simple 5:12 6:8 44:9	solution 5:20 15:4	sorts 10:14 15:1 56:6	spectrum 55:9
shares 26:3 64:8	simply 21:10 44:3 61:12	solutions 13:19	source 16:7 34:3	speculated 4:6
sheer 3:14	Since 50:10	solve 3:22 9:15 34:1,17 65:6	sources 19:9	split 20:5 41:17
Shipley 43:20		solving 63:8		spoke 53:17
short 57:21				

sponsor 47:5	state 2:18,22, 24 4:22 8:12 9:3,12,23 10:20 11:9,18 12:1,4,8 14:10,13 15:22 16:4,6, 12,14,17,24 17:24 18:20 19:1,3,19,23 20:21 21:6 22:12,19,21 23:8 24:3,19 25:2,8,16 26:17,20 27:5,14 28:2, 14,21,25 29:22 30:6, 10,23 31:10, 16 33:2,13, 23,25 34:5,6, 9 36:4 38:18, 21,23 39:1,2, 3 40:1,8 44:25 45:12, 14 46:2 49:24 50:1 51:15,25 53:13 54:7 56:3,10,12, 19,23 57:3,18 60:5,6,10 61:11 62:22 63:10 64:16, 25	statements 47:3	50:16 61:5	stuff 38:4
sponsors 46:23		states 16:3 44:3	stay 35:17	sturdy 8:12
spring 42:13, 17 43:20		statewide 45:23	staying 33:20	subject 6:14 18:1 57:6
springs 42:8, 11,18 44:25 50:20 61:16, 21		status 13:8 58:2	steps 14:5,15 50:9,13	submissions 16:25
squarely 56:11 62:22		statute 4:4 5:6 8:1 10:8, 22 11:2,7,8 12:24 17:12 21:13,14 22:1,6,10 31:2 32:12,18 33:13 40:6, 19,21 41:2,7 47:9,16 48:10 57:14,15 58:20 60:14, 15,19,22,24 61:22 65:7,12	stick 20:9 58:15	submitted 53:9
stake 2:10		statutes 4:12 25:3 40:7 48:16 63:12	still 6:23 10:1 13:14 33:1,20 36:8 42:13 49:5 63:10	subparagraph 24:17
stand 65:23		statutor- 61:4	stop 45:16	subsection 16:1 22:9,12, 16,17,18,19, 23 24:5 30:20 31:2,22 32:23,25 33:4 36:5 47:17, 18,19 48:5
standard 31:11 40:18 51:9,13 59:19 60:4,12		statutory 4:16 7:2 8:2 12:23 15:21 18:20 20:16 33:15 40:16 41:16 49:9,10	stopped 12:7	subsections 22:11 23:23
standpoint 17:14 48:7	stated 33:12 46:14		story 31:6,17	subsequent 49:10
start 3:21 12:10 22:5 34:13 35:8,10 54:25 64:22	statement 49:20		stream 55:8, 13	substantial 18:19 51:11, 13 59:19 60:4,6,12
starting 2:16 42:14			strict 3:4 5:17 25:5	successful
starts 65:1			strictly 4:2 32:5 65:13	
			striking 8:22	
			striving 49:24	

2:19,21	T	talks 39:5 60:24	64:7,18	thrived 2:20
such 9:24 36:1,11 56:14,20	table 7:6,10, 23	technical 31:21 56:4,6 62:21	theirs 44:8	through 4:3 11:13 28:12 29:20 34:24 42:9 52:9
suffer 10:5	tag 37:20	tenure 57:19	themselves 44:24	throughout 2:16 4:12 19:3 23:9 39:5 46:2
sufficient 60:7	Taggart 37:9 65:19	terms 32:18 58:6 63:24	theory 54:10	
support 45:19 60:6	take 7:13,24 8:13 14:5,15 20:8 27:21 30:10 35:13 38:10,15,16, 20 59:20 62:16 65:6	testified 46:25	therefore 31:23 39:7 44:8 58:2	ties 58:25
supported 18:19 58:4		testimony 27:23	thing 3:14 9:6 10:10 16:12 44:20 45:22 63:4	time 2:4 3:16 4:14 11:12 12:11 15:20 19:25 20:1,2, 6,14 36:22 46:5 57:18 65:9,10
supporting 46:25 56:7	taken 16:21 41:2	text 50:5	things 3:9 9:6,13 10:14 12:15,22,25 13:1 15:14 16:22 24:6 33:9 54:23 57:2 65:8	timeframe 7:16 57:8
supports 11:3	taking 8:25 11:12 17:8, 14,23,25 18:5,9,13 20:2,4 50:18	than 2:21 6:3 10:8 12:16 13:10 21:21 25:5 30:13 36:13 42:5 53:13 57:19	thinking 58:14	times 23:22
surface 55:1, 5,14 56:24		their 12:11 13:6 14:12 19:17 23:21 27:1,3 31:23 35:6,19 38:15 39:25 42:8, 10,13,17,18 45:18 46:8 50:19,20,22 52:13 61:16 63:6,9,18	third 18:23	today 2:9 37:8,17 59:6 65:21
sustain 2:21 6:25 55:24	takings 40:14,23,25 49:5		thought 16:14,18	together 13:23 14:11, 25 16:19 22:11 34:13 35:10
sustainable 33:19	talk 24:7 60:23		three 19:25 20:1,9 37:3 44:12 54:23	tomorrow
system 20:25 35:6	talking 27:25 32:14 37:19 59:9 62:12			

61:18	Turnipseed 53:1,4	35:14,17,19 36:5 48:1 60:21 63:12 64:5	25:17,18 26:1,2 30:3,4 34:12,16,23	V
took 54:2	Turnipseed's 59:5,14		upgraded 35:5	val- 45:25
top 36:16 43:21 52:18	two 3:9 15:16 18:22 22:11 30:20 31:2,22 36:5 40:3,19 41:7 42:24 62:20	understand 17:12 23:14 26:15 27:10 29:18 38:19 60:25 63:1	upsetting 37:24	Valley 1:14 2:9,12,17,20 3:11 6:11 19:14 20:19, 25 21:1
topics 24:10			use 7:9,14 20:14 21:10 23:21 24:9 25:7,11,14,25 26:5,9 29:12, 13,15 32:2 35:8,19 39:20 44:7,23 46:7 54:24 63:12, 15,16,17,23 64:2,5,7,10, 14,19 65:9	value 46:1
total 62:3,4	type 27:25 38:4	understandab ly 29:22		variation 12:20
towards 63:8	types 21:16	understandin g 54:8		various 34:13 35:10
TRANSCRIPT 1:9	U	underwater 6:24		vastly 38:14
tremend- 50:21		unfortunately 37:15 39:9	used 16:6 28:24 29:9 48:3 63:22	venue 17:20
tremendous 50:21,22	Uh-huh 27:2	unless 4:24 11:7,22,23 19:1 22:22 24:4 32:20,22 33:2 35:21 47:23	users 6:14 19:23 21:11 30:25 44:23	versus 26:12
tries 63:25	un- 25:24			vested 22:2 54:24 57:4,6, 7,12 58:2,13 59:10 61:7, 14,23 62:3
true 33:20 35:17 39:1	unanimity 37:16	unpassed 53:19	USGS 51:21 52:9 59:2	viable 46:3
try 14:25	unconstitutio nal 17:7 57:15	unstated 35:7	using 34:3	view 4:4 21:14
trying 3:22 8:7 13:18,19 26:10 29:18 37:18 51:14	under 3:4,19 7:23 9:19 17:12 21:12 24:23 25:3, 12,24 26:3,13 27:23 30:9 31:1,21 32:25	until 28:10		viewed 8:24
turn 5:7 57:4		unused		

violate 31:25	want 6:15 9:17 10:4 31:6 39:7 45:22 49:17 54:22,23,24 57:5 63:21 65:10	46:8 47:8 48:13,24,25 49:18 51:7 52:5,17 55:1, 5,15,17 56:24 58:21 63:11, 14,21,25 64:7,10	whether 16:12 21:6 24:8 29:19 31:14,19 36:8 51:2,12 53:6 55:8 56:13 58:20 59:20 62:13,18	4:23 8:20 11:19,20 21:16,17,23 57:16,20 60:24 61:1
violates 21:4, 8 32:1 40:2 46:13 57:11	wanted 3:23, 25 4:10 8:10 9:10 12:1,3 13:9 15:17 32:4,8 39:4 62:1 63:4	waterways 52:8 64:13	while 10:21 33:20 51:24	withdrawing 63:14
violations 20:16 25:25	watch 50:23	way 13:6 15:21 23:15 33:24 38:15 44:4 48:3,10 55:16	who've 50:17	within 3:15, 17 7:5,15,16 18:17 31:9 56:5,11 62:22
vital 39:21	watched 42:10	ways 25:4 37:18,22	whole 12:12 22:10 44:21 49:20 54:20	without 11:20 21:18 37:23 40:9
volume 7:11	water 3:5 9:2 10:6 19:23 20:16,25 21:2,11,21 22:14,21 23:12,21 25:3,8,11,13, 16,18,19 26:5,7 29:8, 11 30:25 31:13,21 34:2,6,23 35:6,8,13,16, 19 36:11 38:1,2,5,11, 20 39:24 40:7 41:25 42:2,6, 7,12,16,18 43:4 44:3,5,7, 11,15,18 45:9	we- 8:19	whom 3:17	wondering 23:25
voluntarily 14:9 38:12	welfare 56:21,24	wells 10:13 11:20 21:19, 21 31:13 36:11 44:17, 24 61:15	wide 61:1	word 46:22, 23
voluntary 14:7 34:2,24 35:11	west 37:25	wha- 8:21	will 3:9,14 7:15 20:4,13, 15 51:18 53:7,14 57:9 58:1 62:23 63:16 65:3,22	words 12:17
vote 34:5 38:20	whatsoever 23:6	whether	willing 63:8	work 13:20 14:11 37:17 38:10 44:4 63:8
voted 21:11 38:15	work 13:20 14:11 37:17 38:10 44:4 63:8	while	window 3:16 57:19	worked 14:24 15:1 16:21
<hr/> W <hr/>	working 2:19 3:18	who've	wish 2:3	works 5:20
wa- 48:25	works 5:20	whether	withdrawals	
waive 32:16		while		
waived 27:14, 15,20		who've		
walk 11:13		while		

47:8	yet 8:25 27:6 42:12 52:18 64:9	
worse 58:2		
worsen 57:24	yield 2:23 13:14 19:10 23:5 33:19 49:24 50:12, 14 52:24 55:18,21 57:10,17,24 61:13,18	
would've 42:7		
writing 65:20		
written 16:25 27:1	<hr/> Z <hr/>	
wrong 22:1	zero 9:25 61:18	
<hr/> Y <hr/>		
yay 38:21		
year 19:21 36:10 42:14 63:15		
years 3:19 4:22 6:23,25 7:5,19,24 8:8, 17,25 11:18 12:10 14:25 22:22 36:2 42:4,10 44:10,12 47:23 50:23 54:16 55:11, 12 57:17 62:14 65:6		