



ZIPPER VALLEY RANCH

&

Running Iron Ranch

Proposed Partnership for San Juan Headwaters Project

Pagosa Springs, Colorado

May 2025

Prepared For:

- Pagosa Water Area Water and Sanitation District
with special invitation to San Juan Water Conservancy District in a public hearing format



BACKGROUND

Starting with a March 2003 “Harris Report” the Dry Gulch site was identified as a potential reservoir site “subject to geotechnical studies to verify that the dam site is adequate.” A 4,000-acre foot scenario & a 12,500-acre foot scenario were mentioned to meet the projected 2040 demand of 500-acre feet to meet 2040 demand, allowing **for up to 3,500 or 12,000 AF of “supply margin.”**

For over 18 years (2007), the Pagosa Area Water Supply and San Juan Water Conservancy District have been working to develop the Dry Gulch Reservoir under their 90%/10% ownership structure, funded entirely by a loan from the State of Colorado and a \$1M grant.

After 18 years, Pagosa Area Water and Sanitation District has contributed millions in loan payments. SJWCD has struggled to advance the project through project management, engineering, planning, and grant/partnership procurement.

In 2016 a restructure agreement was executed.

Loan payments are set to continue through 2034 for over \$2.5M PAWSD continues to accrue approximately \$300,000 of deferred interest every year.

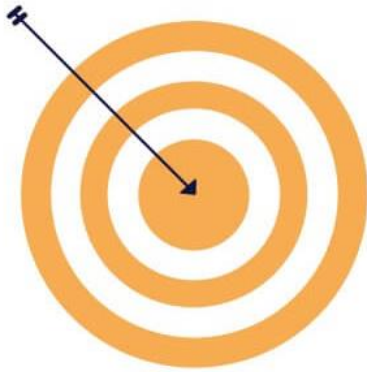
REVIEW OF SAN JUAN HEADWATERS PROJECT

HARRIS REPORT-WHERE THIS ALL STARTED & WHAT WE KNOW TODAY

	2003	2020	2025	2040 (est.) Harris Study	2040 (current estimate)	Variance
Population Archuleta County	11,089	13,359	13,336	35,589	16,404	217%
Population Growth Archuleta County	5.1-7.1%(6.1 AVG)		1.39%	7.10%	1.39%	511%
Water Usage Per resident	215		107	215	107	201%
Total Acre Feet of Supply Needed			1,300	11,732	1,599	734%
Total Acre Feet of Supply In Place			4,000			

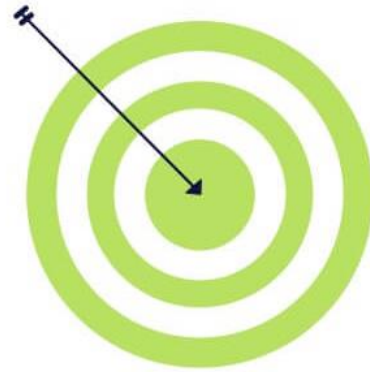
Note: Recommended to re-evaluate water demands every 5 years.

“REVISED” SAN JUAN HEADWATERS PROJECT OBJECTIVES



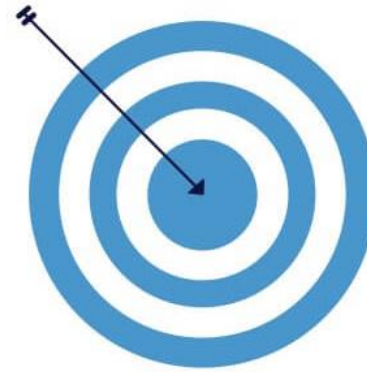
Water storage at proper scale

taking into account
needs, financing &
avoiding unnecessary
water storage
(evaporation)



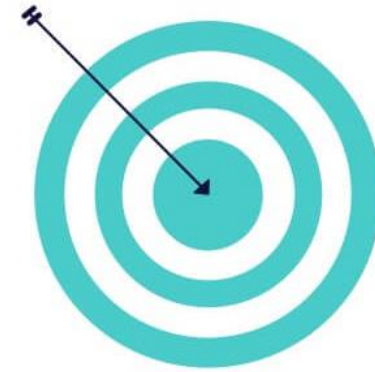
Forest fire mitigation

to allow water supply on
the East side of
Archuleta County



Alternate future water supply

in the event of
contamination
(i.e., forest fire)

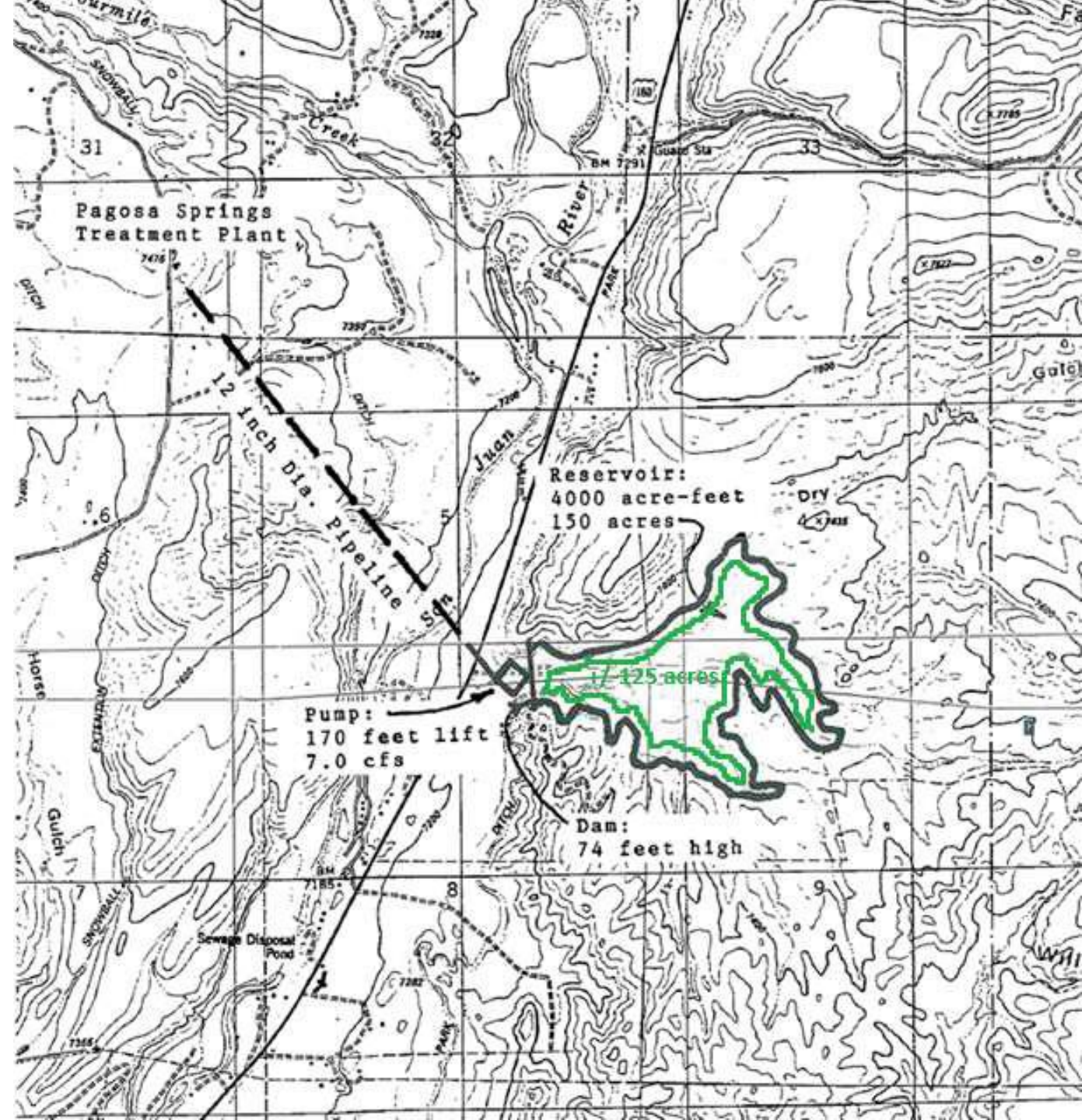


Future municipal water supply

aid in drought
resistance

WATER STORAGE AT PROPER SCALE

- **+/-3,000 AF**
 - +/-125 acres
 - On Running Iron Ranch
 - Minimal exposure to damage from structural failure
 - Potential to fully fund in 10 years
 - Stays inside Park Ditch
- **+/-11,000 AF**
 - +/-282 acre
 - Encroaches on private and USFS properties
 - Potential to flood Town of Pagosa from structural failure
 - Unlikely funding start for at least 20-50 years
 - Requires Significant Park Ditch Alterations





FOREST FIRE MITIGATION

Helicopters use buckets (e.g. Bambi Buckets) or internal tanks to carry water. Design could allow for designated area.

Typical Helicopter Water Capacities:

1. Small helicopters (Type 3)

- Capacity: 100-300 gallons per drop
- Example: Bell 206, MD 500

2. Medium helicopters (Type 2)

- Capacity: 300-700 gallons per drop
- Example: Bell 212, UH-1H Huey

3. Large helicopters (Type 1)

- Capacity: 700-3,000 gallons per drop
- Example: Sikorsky S-64 Skycrane, CH-47 Chinook, Boeing Vertol 107

Reservoir design should account for maximum use of the above based on expected local long-term equipment availability.

ZIPPER VALLEY RANCH SOLUTION

0% Financing

100% Control of Project by the District

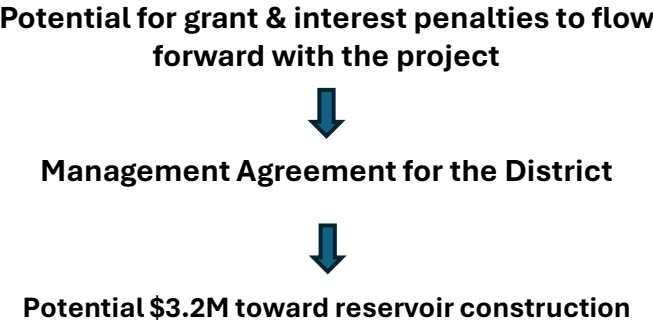
\$0.00 Cost for Reservoir Site

Purchase price = Equal to all outstanding debt & interest penalties

- Right size the project $\pm 3,000$ acre feet.
- Management Agreement = Appoint the “District” to continue the reservoir project through a “Management Agreement” for 10 years, which exceeds the current “Planning Period.”
- Grant of Easement for Reservoir to the “District” at the end of the “Management” term, assuming funding is secured.
- Request Colorado Water Conservation Board to allow the “District” grant & all interest penalties accrued to sale date (\$3.2m) to be transferred to “The District” via the “Management Agreement”.

The Proposal & Offering Terms

660.84 acres of land and all rights and interest but excluding any water rights owned by SJWCD and not acquired in the purchase of Running Iron Ranch.



- Dilapidated houses require demolition
- Fencing in poor repair (\$+/-150,000)
 - Park ditch repairs (\$25K annually)
 - Weed infestation (\$20K annually)

ZIPPER VALLEY RANCH CAPABILITIES

Family-owned with deep roots in Pagosa Springs.

We have owned property in Pagosa Springs since 2008, when this land was originally purchased.

Purchased other large ranches with conservation efforts.

- Zipper Valley Ranch (875 acres) with Mitigation Resources of North America
- Colt Industrial-50 acres with USACE wetland work
- Zipper Valley Ranch (1,200 acres) applied management practices & put into Dixon Foundation-healthy watershed & sustainable land management.

Additional considerations.

- Real estate company with transaction experience of over 500 transactions per year-demonstrating experience & ability to fulfill all obligations.
- Currently leading top manufacturing projects in the United States demonstrating ability to perform on complex & difficult projects.
- Desire to retire in the Pagosa Springs community & become active in support of local organizations & community involvement-demonstrating personal passion for project.

PROPOSED MANAGEMENT AGREEMENT

Reservoir Area

- ±3,000 acre feet (±125 acres)

Management Activities

- Actions necessary for planning, designing, engineering & funding the Dry Gulch Reservoir.

Easement Conveyance

- ZVR shall convey a perpetual easement for ±125 acres for the ±3,000 acre-foot reservoir through a donation to the District

Term

- July 2025 - December 31, 2035 (10 years and 6 months)

District Responsibilities	Landowner Responsibilities
<ul style="list-style-type: none">• Sole Responsibility for planning, designing & funding.• Minimum Expenditure for Project Activities of \$50,000 / Year for the following:<ul style="list-style-type: none">• Grant writing• Project management• Engineering & design services• Bi-annual report of progress to landowner & any other active stakeholder(s).• Secure design & construction funding.	<ul style="list-style-type: none">• Contribute \$10,000 per year for Project Activities.• Grant easement for reservoir

LET'S GET TO WORK

THIS PROPOSAL SETS FORTH THE OPPORTUNITY TO DO THE FOLLOWING:

- 1.) Transfer focus & expenditures on an unnecessary lawsuit into a productive, actionable & achievable plan.
- 2.) Financial restart, eliminating extensive debt & punitive penalties accruing for 9+ additional years.
- 3.) Private to public donation of land for reservoir.
- 4.) Potential to fund over \$3.2M immediately towards reservoir construction account.
- 5.) Allows for certain path to reservoir while existing lawsuit outcome provides no guarantee.

BENEFITS FROM ZIPPER VALLEY PROPSAL

The District (potentially SJWCD)

- Free reservoir site for a 3,000 AF reservoir
- Sole owner of easement and all storage water rights
- No threat of PAWSD sale within next 1-2 years; much longer planning and construction timeline than 2016 agreement
- Expensive lawsuit cost (\$200,000 or more) can be invested in reservoir account
- Potential CWCD investment of SJWCD grant money (with interest), and 2015 interest deferments into reservoir account
- A buildable reservoir which can be constructed within 10 years
- Avoid likely cost of lawsuit and water rights

BENEFITS FROM ZIPPER VALLEY PROPSAL

PAWSD:

- Future customer debt payments of \$10M are eliminated
- Potential for a right sized reservoir
- Expensive lawsuit cost (\$200,000 or more) are eliminated
- Refocus on core infrastructure issues

BENEFITS FROM ZIPPER VALLEY PROPSAL

THE COMMUNITY:

- Free reservoir site for the largest reservoir in Pagosa Springs/Archuleta County
- Potential for a right sized reservoir for water storage, fire protection mitigation, alternate water supply source and future water supply to aid in drought resistance
- Practical reservoir which can appeal to granting partners and which can actually be built within 10 years

SPECIFIC REQUEST FOR PAWSD BOARD

1. Consider the benefits outlined herein.
2. Instruct Running Iron Ranch committee to finalize the Contract of Sale and Management Agreement with PAWSD as “the District”
3. Seek court approval for the Contract of Sale during June 2025
4. Close in early July 2025
5. Commence discussions with SJWCD as potential assignee of “the District”

Thank You