

Natural Resources -- Parks and Wildlife
Mt. Pisgah Reservoir and Ditch Company - Water Share Disposition

Teller

N/A

Teller County

Action Required

Recommend support for the fee title disposition of 2,446.248 shares in the Mt. Pisgah Reservoir and Ditch Company (\$700/ share, or \$1,712,373.60) and the lease acquisition of a minimum of 25 acre-feet of storage space in Mt. Pisgah Reservoir (\$275/ acre foot of storage space and \$100/ acre foot released).

Questions and Responses

None.



COLORADO

Parks and Wildlife

Department of Natural Resources

CAPITAL DEVELOPMENT COMMITTEE
PROPERTY TRANSACTION PROPOSAL
Department of Natural Resources
Division of Parks and Wildlife

Action Requested

Pursuant to C.R.S. 33-1-105(3)(a) and C.R.S. 33-10-107(2) recommend support to the Colorado Parks and Wildlife Commission for the Division of Parks and Wildlife's proposal to sell shares in a mutual ditch company.

General Information

Project Name	Parks and Wildlife - Mt. Pisgah Reservoir and Ditch Company - Water Share Disposition
Location	Fee Title Disposition (2,446.248 shares in Mt. Pisgah Reservoir and Ditch Company) Other Lease Acquisition (minimum of 25 acre-feet (af) of storage space in Mt. Pisgah Reservoir)

Costs / Source of Funding

Consideration	Total Consideration <ul style="list-style-type: none">Disposition: Appraised value \$700/share, Total \$1,712,373.60Twenty-Five Year Lease: \$275.00/af of storage space plus \$100.00/af released
CPW Funding Source*	Mt. Pisgah Reservoir and Ditch Company Water Share Disposition: n/a, CPW will receive the funds. The shares were not acquired with any restricted funds. Mt. Pisgah Reservoir and Ditch Company Water Share Lease: <i>Lottery proceeds are continuously appropriated pursuant to Section 3 of Article XXVII of the State Constitution, and as such, the 10% direct distribution of Lottery proceeds to CPW is not appropriated in the Long Bill.</i> Fiscal Year: FY 2026 Line Item: Land and Water Acquisitions - Lottery Appropriation: PC013LWXN

Remaining Unexpended Balance: \$11,913,859.62

**Development
Costs**

n/a

**Annual Operation
Costs**

CPW currently pays annual share assessments. In 2024, CPW paid \$18.20 per share, a total of \$44,522.00 to own the shares. In 2026, the assessment increased to \$40.40 per share, a total of \$98,828.00. Annual assessments are expected to continue to rise significantly due to anticipated necessary dam safety maintenance. If CPW sells the shares and acquires a storage space lease, it will realize annual operation cost savings in the amount of the annual share assessments less the annual lease fees which will total approximately \$90,800. CPW will incur annual lease costs described above.

** The Division may alter the source of funds for individual acquisitions based on circumstances that arise in the time period prior to closing.*

Summary of Proposal

The Division of Parks and Wildlife (“CPW”) owns approximately 10% of the shares in the Mt. Pisgah Reservoir and Ditch Company (“Company”). The shares represent CPW’s pro-rata ownership of the water rights, infrastructure, and storage space owned by the Company. The Company owns the Mt. Pisgah Reservoir, a structure located high in the Arkansas River Basin, and water rights stored in the reservoir and decreed for irrigation use only.

Historically, CPW’s shares were managed by and used through the Catlin Canal Company for irrigation of lands under the Catlin Canal. Irrigation with the shares under the Catlin Canal is no longer permitted by the Catlin Canal Company. The critical importance of storage in Mt. Pisgah Reservoir to CPW lies in the ability to store augmentation water. Since 2018, CPW has relied on storage of augmentation water supplies, separate from the water rights owned by the Company, in Mt. Pisgah Reservoir to support operations at Mueller State Park. Without the storage of separate water rights in Mt. Pisgah Reservoir, most, if not all, of the water features on Mueller State Park would have to be drained.

In 2024, a private entity, HWH West Holdings, Inc. (“HWH”) acquired a majority of the shares in the Company. HWH indicated that it wants to convert the Company from a mutual ditch company to a for-profit corporation. Given its controlling interest in the Company, HWH has the power to enact this conversion and changed the bylaws for the Company in preparation of the conversion. This conversion would render CPW’s share ownership in the Company unconstitutional.

In 2025, CPW filed a lawsuit against the Company to protect its interest in the shares, including its associated ownership of the water rights, infrastructure, and storage space.

During the course of the litigation, the parties engaged in settlement negotiations. The transaction proposed will resolve the litigation and will result in CPW selling its shares to the Company and CPW acquiring a lease agreement to store its augmentation water in Mt. Pisgah Reservoir. The parties have agreed to the settlement in concept but have not entered into any settlement agreement at this time. Because CPW must obtain both Parks and Wildlife Commission and CDC approval to complete a sale of its shares in the Company, the parties agreed to stay the litigation so that CPW can attempt to secure the approvals before any further effort on the settlement agreement is expended. Settlement of this litigation is CPW's preferred outcome as it provides certainty for maintaining operations at Mueller State Park.

This transaction will transfer ownership of CPW's shares and associated interests in the water rights, infrastructure, and storage space in the Company to the Company in exchange for 4 distinct categories of consideration.

First, the litigation will be resolved amicably and without the risk of trial. If this transaction is not approved, CPW will need to expend significant funds to litigate which is inherently risky for both CPW and the Company.

Second, the Company will pay CPW the appraised value of the shares, which is \$700 per share.

Third, the transaction will relieve CPW of the annual obligations of the Company's per share assessments. The assessments doubled from 2024 to 2025. CPW believes that the assessments will continue to rise exponentially given the upcoming necessary dam safety work.

Fourth, the Company will enter into an initial 25-year lease agreement, which will allow CPW to store approximately 25 acre-feet of its other water rights in the Mt. Pisgah Reservoir for \$275 per acre-foot of space plus \$100 per acre-foot released. Once executed, the lease agreement will establish predictable long-term cost for the use of storage space in the Mt. Pisgah Reservoir. The agreement will be renewable in 5-year increments following the initial 25-year term.

Moreover, the lease agreement secures a reliable and strategic storage location where CPW can store its existing water rights to provide augmentation supplies to support Mueller State Park. The storage space may also be used to support future augmentation needs at Dome Rock State Wildlife Area. CPW has confirmed that 25 acre-feet is sufficient to satisfy its foreseeable water storage needs and there is potential to increase the storage space as needed to provide a multi-year supply for Dome Rock State Wildlife Area as well.

Mineral Interest Ownership

Not applicable.

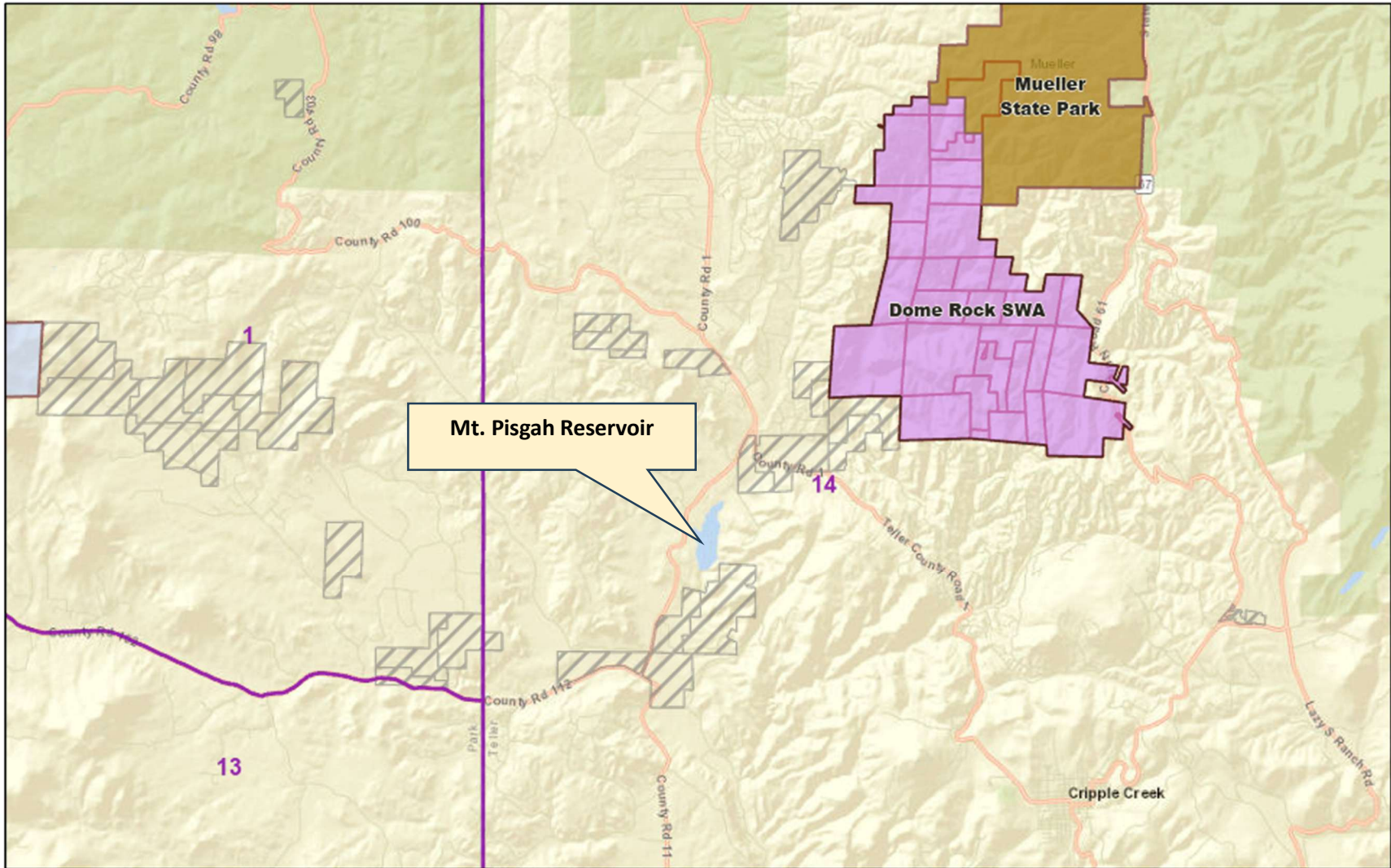
Water Rights

The shares represent a pro rata interest in the water rights held by the Company. Mt. Pisgah Reservoir is located on Four Mile Creek and was adjudicated on January 13, 1928 in Civil Action 4796 for a water right of 2,743 acre-feet with appropriation date of October 17, 1907 for irrigation use. With the 1928 adjudication, the Mt. Pisgah Reservoir water right is relatively junior in the Arkansas River Basin and generally receives a limited fill, totaling approximately 1,000 acre-feet on average, and is not likely to yield any fill in dry years.

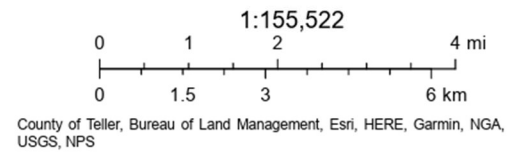
Attachments

- Map - A map is attached.
- Photos - None available
- Concurrence Letters: The Mt. Pisgah Reservoir and Ditch Company provided a letter supporting this transaction which is attached.

Mt. Pisgah Reservoir



March 5, 2026



This map was generated by the Colorado Hunting Atlas (<http://>)

PISGAH RESERVOIR and DITCH COMPANY

101 East Santa Fe, P.O. Box 42, Fowler, CO 81039

Phone (719) 224-1060

Website: pisgahreservoir.com

February 2, 2026

Capital Development Committee
Colorado State Capitol
200 East Colfax Avenue
Denver, Colorado 80203

Re: Support for Acquisition of Pisgah Reservoir & Ditch Company Shares

Dear Members of the Capital Development Committee:

On behalf of Pisgah Reservoir & Ditch Company (Pisgah), I am writing to express strong support for the proposed transaction with Colorado Parks and Wildlife (CPW) involving our purchase of CPW's irrigation shares and the accompanying long-term storage agreement. This carefully negotiated resolution serves the interests of both parties, advances responsible water management and stewardship in the Arkansas River Basin—all while contributing significant funds to the State of Colorado.

Pisgah is a nonprofit mutual reservoir and ditch company based in southeast Colorado that has served the agricultural community along Four Mile Creek since 1923. The Pisgah Reservoir (also known as Wright's Reservoir) water right is decreed for irrigation within the Arkansas River Basin, and our shareholders depend on us to deliver water to sustain their farms, ranches, and livelihoods. Pisgah is also uniquely positioned to support critical storage, exchange, and augmentation needs in the region, and has long embraced an approach grounded in partnership, stewardship, and service to the community.

Pisgah has agreed to purchase, and CPW has agreed to sell, CPW's shares in the Pisgah company, generating over \$1.7 million for the State. In turn, we will enter an agreement with CPW, providing long-term, flexible storage in Pisgah Reservoir to support CPW's current and future augmentation needs at park and wildlife areas such as Mueller State Park and Dome Rock State Wildlife Area. This structure allows CPW to realize the value of its unused irrigation shares, while securing the reliable storage it needs to fulfill its public mission. For Pisgah, it reinvests critical irrigation water back into its agricultural community and ensures Pisgah water rights and infrastructure are used effectively.

Importantly, the agreement also settles pending litigation between the parties, replacing conflict and uncertainty with a durable and mutually beneficial resolution and avoiding the time and expense of continued litigation. The proposal realigns and strengthens our working relationship with CPW, provides clarity and stability for long-term planning for both parties, and reinforces our shared commitment to stewardship of water resources that support the economy and spirit of southeast Colorado.

This project represents sound policy and an investment in responsible stewardship of Colorado's natural resources that will benefit outdoor recreation, wildlife preservation, and

agricultural production into the future. We respectfully urge the Capital Development Committee to approve this project.

We appreciate your consideration and stand ready to provide additional information if helpful to your deliberations.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tony Warnock', with a long horizontal flourish extending to the right.

Tony Warnock
President, Pisgah Reservoir & Ditch Company