



Roddy Stinson: Forget gold, double your pleasure (and money) by buying H2O rights

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Roddy's Rangers never sleep:

RANGER: "Roddy, a fellow I know is buying and selling water rights in Medina County, and he tells me that other speculators are doing the same thing.

"He says that activity has increased considerably in the last year and that the acre-foot price has soared from \$1,000 to \$6,000!

"He also told me that one of the major buyers is a Nebraska company, which is sitting on the water rights like a pile of gold nuggets until the price goes through the ceiling.

"I don't know whether to direct this info to the Sleuthhound or the Head Ranger, but in either case, it should make an interesting item."

RODDY: Thanks for the tip. It led to an investigative road with some fascinating twists and turns.

In sum, landowners in Medina County and Uvalde County are benefiting from a 21st century version of a gold rush — except in this case the precious resource isn't Au, but H2O.

More specifically — rights to pump H2O from the Edwards Aquifer.

The supply of those rights is limited, and the demand for the rights is increasing.

Info and statistics in point:

Number of Edwards Aquifer acre-feet available: 549,000.

(An acre-foot of water is enough water to cover one acre of land one foot deep. It is equal to 325,851 gallons.)

Number of acre-feet that by state law cannot be sold or leased by the farm/ranch irrigators who own them: 125,000.

Number of acre-feet available for sale or lease: 424,000.

Number of acre-feet purchased or leased by San Antonio Water System: 220,000.

Remaining acre-feet available for all other private and public water systems: 204,000.

While that number remains unchanged, the area's population continues to grow, increasing the demand for

water.

If I could come up with a fixed-supply, growing-demand analysis with a few phone calls, interviews and Internet-database research, it's a sure bet that folks who make a living studying such matters have figured out that what seems a high price for Edwards Aquifer water rights today will look like a bargain at some point in the future.

For investors/speculators who bought water rights two or three years ago, the "future" is already here.

In 2005, the average price of an acre-foot was about \$2,200.

Today, the price is over \$5,000.

Little wonder that an out-of-state firm has joined the H2O rush.

Aqua Capital Management LP, a "resource management and investment company" headquartered in Omaha, Neb., began buying Edwards Aquifer water rights about nine months ago.

Craig Bush, a spokesman for the firm, said ACM's objective is "to provide value and services to clients in the natural resource space, including water right holders and related interests."

He "respectfully declined" to provide financial details of the purchases. But one South Texas source familiar with water-rights transactions estimated ACM's purchases to date at 4,500 acre-feet at a cost of about \$18 million.

The investment has already produced some income.

During last year's drought, Bexar Metropolitan Water District needed to temporarily purchase some pumping rights to ensure a sufficient water supply for its customers. In early September, the district leased 388 acre-feet from Aqua Capital Management for six months at a cost of \$100 an acre-foot.

In the years ahead, that leasing story will be repeated many times as BexarMet and other area water providers struggle to keep pace with customers' demand for water, particularly during dry periods.

Because of the inevitable demand, some owners of water rights refuse to sell those rights, preferring to lease them on the assumption that future sale prices will climb higher.

And higher.

And higher.

And higher.

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