NEWS RELEASE
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Aurora Water purchases innovative new water source
Water rights purchase provides environmental benefits

(Aurora, Colorado) – Aurora Water has finalized the purchase of water rights associated with the London Mine, located near Alma, in Park County. 1,411 acre feet (af) of water has been acquired at price of $22,000 per af, with additional costs of $2 million for an option to acquire additional water rights as they are developed and $1M for an easement. An acre foot of water is 325,851 gallons, enough water to serve 2.5 households on average. The seller of the rights is MineWater Finance, LLC and No Name Investors, both Colorado companies. The total value of this initial purchase is $34,042,000. The sellers are confident that the source of the rights could ultimately result in additional water that Aurora has the exclusive option to purchase for $21,500 per acre foot.

The source of this water is from a basin that is recharged from snowmelt on London Mountain. A geologic fault contains the water underground and prevents it from discharging into South Mosquito Creek, a tributary of the South Platte River. This water is pumped from the basin to a water tunnel in the London Mine and from there, discharged into South Mosquito Creek, which is upstream of Aurora’s Spinney Mountain Reservoir. Since this water is not naturally connected to the streams, it is decreed under Colorado Water Law as non-tributary. This has special meaning as this water is fully reusable and can be recaptured utilizing Aurora’s Prairie Waters system, a potable reuse system.

Aurora Water has been a national leader in water efficiency, including an acclaimed Prairie Waters water reuse system, and a nationally recognized water conservation program. Water acquisition is still necessary to meet future demands.

“Looking for new water supplies in the arid west requires innovative thinking,” said Marshall Brown, Director for Aurora Water. “This is a supply that historically has not been tapped by water providers, but the easier supplies are gone.”

The environmentally positive aspects of purchase have resulted in praise from organizations such as the Boulder-based Water Resource Advocates (WRA).
“New water supplies in Colorado are extremely limited and, at the same time, nearly 2,000 miles of streams in Colorado are polluted by mines,” Laura Belanger, Water Resources and Environmental Engineer with WRA stated. “We commend Aurora Water for taking a leadership role in finding this inventive and environmentally beneficial solution to meeting its customers’ water needs.”

Aurora Water completed substantial due diligence prior to this initial closing. Additional water rights under the option provision will be purchased as they are adjudicated and decreed through Colorado’s Water Courts.

Aurora Water is only purchasing the water rights. MineWater will continue to be responsible for the mine property, wells and associated permits. Questions regarding the mining operations, including the permits, should be directed to the MineWater contact listed above.

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*Attachments:*

*London Mine Water Right Purchase Facts Sheet (Aurora Water)*
*London Mine History (MineWater)*
*London Mine Infographic (MineWater)*

Aurora Water is seeking approval from City Council to buy water rights associated with the London Mine, located near Alma, in Park County. 1,411 acre feet (af) is proposed to be purchased at a price of $22,000 per af, with additional costs of $3 million for the option to additional water rights as they are developed. An acre foot of water is 325,851 gallons, enough water to serve 2.5 households on average. The seller of the rights is MineWater Finance, LLC and No Name Investors, both Colorado companies. The total value of this initial sale is $34,042,000. As additional water rights are developed, Aurora may purchase these rights for $21,500 per acre foot. The sellers are confident that the source of the rights could ultimately result in an average annual deliverable of 5,400 af.

The source of this water is from a basin that is recharged from snowmelt on London Mountain. A geologic fault contains the water underground and prevents it from discharging into South Mosquito Creek, a tributary of the South Platte River. This water will be pumped from the basin to a water tunnel in the London Mine and from there, discharged into South Mosquito Creek. Since this water is not naturally connected to the streams, it is considered under Colorado Water Law to be non-tributary. This has special meaning as this water can be decreed as reusable and can be recaptured utilizing Aurora’s Prairie Waters system, a potable reuse system.

Points to note

- This is a complex transaction, so Aurora Water is utilizing an unprecedented team of professionals to vet all aspects of the deal. We’ve included engineers and attorneys with experience in water rights, mining and environmental law.

- This is a Win-Win-Win Scenario for Aurora, the environment and Colorado.
  - The Colorado Water Plan, released in 2015, identified a substantial gap in available water to meet the state’s future growth scenarios. Municipal water providers will have to be more innovative in their approach to ensuring that they can meet future demand.

  - **Win for Aurora**
    This sale provides a large amount of water for a growing municipal entity without diverting tributary water from the basin. As a non-tributary water source, it can be used and reused by Aurora “to extinction.” Reuse increases the water available to meet new demands and reduces the quantity of additional acquisitions.

  - **Win for the environment**
    This reduces or eliminates a potential for contamination by pumping the water around the tunnel that has been a source of contamination. This could become a model for other contaminated mines. Since the water will be moved to Spinney Mountain reservoir using South Mosquito Creek, higher stream flows improve the ecosystem and fishery in the creek.

  - **Win for the west slope and agricultural water users**
    This is a large amount of renewable water that doesn’t impact any river basin or any existing water rights.
London Mine Purchase and Sale Agreement Fact Sheet

Details

Who: Aurora Water, municipal water provider for the city of Aurora, Colorado (buyer) and MineWater Finance LLC. and No Name Investors, LLC. (seller)

What: 1411 af non-tributary water rights from the London Mine for $22,000 per af, plus $3 million for options to additional water rights from the contained basin and ancillary rights. The total value of this initial purchase is $34,042,000. As additional water rights are developed, they may be purchased by Aurora at $21,500 per af.

When: Purchase and Sale Agreement (PSA) submitted to Aurora City Council for approval on January 8, 2018. Final closing pending completion of due diligence process 180 day following approval by council and signature by both parties.

Where: Park County, outside of Alma, Colorado

Why: Aurora is purchasing water rights to meet projected growth. These water rights, once pumped from the contained basin, are discharged into South Mosquito Creek, which connects downstream with Aurora Spinney Mountain Reservoir. These rights are considered to be non-tributary, so they do not currently impact the streams and rivers in the area. This also means that Aurora Water, under Colorado Water Law, can utilize these rights to “extinction”, meaning they can be recaptured by Aurora’s Prairie Waters system, as potable reuse system.

How: MineWater is selling water that has been pumped from a contained basin to prevent the water from passing through sections of an old gold mine. Bypassing this section of the mine infrastructure will reduce or eliminate the introduction of heavy metals that previously resulted in contamination.

Aurora Water’s History of Innovation

Aurora has been a leader in developing water resources that help minimize the impact throughout the state.

- As far back as 1968, Aurora was one of the early adopters of reclaimed water for irrigation of parks and golf courses.
- Over the 15 years, Aurora Water has reduced consumption by over 30% through its nationally recognized water conservation and education programs.
- This culture of efficiently utilizing existing water rights lead to the pinnacle of water conservation, Aurora’s Prairie Waters system. Opened in 2010, Prairie Waters recycles water after it’s been used into clean, safe drinking water.
- Aurora is actively exploring Aquifer Storage and Recovery (ASR) as an alternative storage option that eliminates evaporative losses and reduces the water quality concerns, such as algae blooms, that typically occurs in shallow, warmer waterbodies on the plains of Colorado. ASR stores water underground and has been widely used in other western states.
- Even when Aurora builds traditional projects, there is a great emphasis on environmental sustainability. The city will be building a new reservoir in Park County called Wild Horse. This site was chosen because of its low environmental impact. Its off-stream, so there’s no river impacts and is built on what was private land, so little or no public lands will be lost.
MINE TO MUNICIPAL

Water is pumped from underground reservoir and discharged to stream through Spinney Mountain Reservoir.

WATER IS TREATED
Prevents minerals from entering water.

WATER TUNNEL

PUMP WELLS

NON-TRIBUTARY RESERVOIR

SOUTH PLATTE RIVER

LONDON FAULT

LONDON MOUNTAIN

MOSQUITO CREEK

SPINNEY MOUNTAIN RESERVOIR
HISTORY OF THE LONDON MINE

The London Mine, located near Alma, Colorado (16 miles south of Breckenridge), was one of the highest producing gold mines in Colorado history. Active mining occurred from 1874 to the 1940s, however, limited mining activity took place until its closure in 1991. In addition to gold, the mine produced silver, lead and zinc. It is one of some 230 inactive water producing mines in Colorado.

ENVIRONMENTAL ISSUES

The geology of the mountain, including a reverse-thrust fault within the mountain, creates a natural underground reservoir that fills with the area’s abundant snowmelt. Miners dug 70 miles of tunnels within the mountain to excavate gold and other precious metals. Like many old mines, when rocks containing sulfur are exposed to water and oxygen via the tunnels, sulfuric acid forms. This process allowed naturally occurring minerals such as zinc and cadmium to enter the water. For decades, impacted water left the London Mine through two tunnels flowing into the South Mosquito Creek.

Agencies with the state of Colorado and contractors worked to clean up the London Mine water for many years. In 1997, the state funded a passive water treatment system and settling ponds along South Mosquito Creek, systems that intermittently removed contaminants from mine water before they reached the creek and the watershed. However, the efforts were insufficient and over the next 20 years, regulatory agencies and private industry worked without success to resolve the water quality issues.

CLEANUP WELL UNDERWAY

In 2014, MineWater, a Colorado company that invests in mines and cleans up heavy metal contamination at sites across the U.S., began collaborating with regulators and the mine’s owners to develop a cleanup strategy.

In 2016, the state of Colorado and the mine’s owners entered into an agreement that allowed MineWater to purchase 3,000 acres of the mine’s land holdings and water rights. MineWater agreed to perform all work under a Consent Order and Settlement Agreement with the Colorado Department of Public Health and Environment (CDPHE), including bringing water discharged by the London Mine into compliance with the discharge permit limits.

Employing innovative and proven cleanup strategies used at other mines, including the emergency cleanup its team conducted for the EPA at the Gold King Mine release into the Animas River, MineWater began implementing a cleanup plan at the London Mine in 2017.

In just one year, MineWater has brought the London Mine into compliance and the water discharged now meets all the requirements of the State’s agreement. MineWater implemented an on-site treatment system that injects natural substances into the mine water pool that reverses the acid process and neutralizes the water.

From October 2016 to October 2017, MineWater reduced levels of zinc 85 percent and cadmium levels were cut by more than 92 percent. The water being discharged from the mine is now practically indistinguishable from the stream water it enters.
As part of the cleanup plan, MineWater will also be dewatering the mine in areas where there is naturally occurring sulfur. This will prevent the co-mingling of rock, water and oxygen that creates acid mine drainage. The water table of the underground reservoir will be lowered by pumping water out of two wells that are currently being installed. The clean water will then be pumped and released to the stream through permitted processes.

**WATER IS GOLD**

In the semi-arid West, water is as valuable as gold. With Colorado’s population projected to double by 2060 and a predicted water shortfall of 163 billion gallons by 2050, the state has developed a multi-prong plan to meet its future needs.

The London Mine’s water right is particularly valuable and sustainable. Because the water can be used for all uses—municipal, industrial, and agriculture—and it is fully consumable, meaning it can be used and reused, the water is useful for municipal water providers.

The mine’s natural underground reservoir holds an estimated 100,000 acre-feet of water. That is far more water than what is stored in the Aurora Reservoir. Its water decree allows about 5,300 acre-feet to be withdrawn annually. An acre-foot is approximately enough to supply two families of four, water needed for one year.

The reservoir holds far more water than what can be legally removed annually. And because it is water being stored in an underground reservoir, when the water is transferred for municipal use, it will not deplete existing streams and rivers. The release of water through the pumping will increase flows in the stream, improve habitat for fish and deliver more clean water into the ecosystem. In fact, it will add almost 4,000 acre-feet annually to the South Mosquito Creek, which eventually flows into the South Platte.

Water once used for mining repurposed for other uses meets many of the goals outlined in Colorado’s Water Plan. The cleanup and use of the London Mine water not only protects the environment, it provides water for municipal use while avoiding trans-basin diversions and agriculture dry up. Using true Western innovation, it is parlaying a mine once used to extract precious gold to a mine that will produce equally precious water. It is a model for how water issues at other historic mines can be productively addressed.