EXHIB. 48

In the Superior Court of Kern County, State of California.

Farmers Canal Company, Pioneer Canal Company, Buena Vista Canal Company, Kern Island Irrigating Canal Company, James Canal Company, Anderson Canal Company, Stine Canal Company, Plunkett Canal Company, Meacham Canal Company, James & Dixon Canal Company, Joice Canal Company, Kern River Canal and Irrigating Company, and Central Canal Company,

(Plaintiffs)

-vs.-

J. R. Simmons, Henry Miller, Henry Miller as surviving partner of the late firm of Miller & Lux, Miller & Lux (a corporation), Bloomfield Land Association (a corporation), George Krafts, Solomon Jewett, Philo D. Jewett, H. H. Fish, George Daggett, H. A. Blodgett, Celia Holtby, Celia Holtby as administratrix of the estate of L. M. Holtby, deceased, P. E. Stark, Lida Reed, Virginia Stark, Frances Packard, Ella Stoner, May Stark, Wible Orchard & Vineyard Company, Charles Kerr, Wilmot Lowell, (Defendants), and William S. Tevis, Balfour, Guthrie Investment Company, Kern County Land Company, Kern County Canal and Water Company, Lowell Land and Improvement Company, (Defendants to the Cross Complaint of Miller & Lux.

COUNTY CLERK'S MEMO: Legibility of writing, typing or printing UNSATISFACTORY in this document when received.

DECREE.

This cause having been regularly tried before the Court without a jury, Messrs E. J. McCutchen and P. W. Bennett appearing as attorneys for the plaintiffs; Messrs. Houghton & Houghton appearing as attorneys for the defendants Henry Miller, Henry Miller as surviving partner of the late firm of Miller & Lux, and for Miller & Lux, a corporation, substituted as defendant instead of the two defendants named next before said Miller & Lux; Mr. C. W. Willard appearing for the Balfour, Guthrie Investment Company, Kern County Land Company, Lowell Land and Improvement Company and William S. Tevis, and Mr. J. W. P. Laird

appearing for the Kern County Canal and Water Company, which was substituted as defendant instead of the Bloomfield Land Association, George Krafts, J. R. Simmons, Celia Holtby, Celia Holtby as administratrix of the estate of L. M. Holtby, deceased, Frances Packard, P. E. Stark, Virginia Stark, May Stark, Ella Stoner, H. A. Blodgett, Lida Reed, Solomon Jewett, H. H. Fish, George Daggett and Wilmot Lowell, and Mr. J. C. Campbell appearing for said Wible Orchard & Vineyard Company, Charles Kerr and Philo D. Jewett, and the other parties to this action failing to appear, and the Court, after hearing the evidence and the argument of counsel, and having filed its decision in writing upon the issues submitted; now therefore, IT IS ORDERED, ADJUDGED AND DECREED BY THE COURT: J

1. That said Meacham Canal Company take nothing by this action, and that as to said plaintiff this action be dismissed.

2. That the plaintiff Farmers Canal Company is the owner of a certain water ditch or canal known as the Farmers Canal, with the lateral branches thereof, which said canal commences on the South bank of Kern River, in Kern County, State of California, subject to the rights, as hereinafter decreed, of the defendants Wible Orchard & Vineyard Company, Charles Kerr, Philo D. Jewett and Miller & Lux to have water conducted to their lands thereby; that said Pioneer Canal Company is the owner of that certain water ditch or canal known as the Pioneer Canal, with the lateral branches thereof, which said canal commences on the North bank of said Kern River; that said Buena Vista Canal Company is the owner of that certain water ditch or canal known as the Buena Vista Canal, with the lateral branches thereof, which said canal commences on the South bank of said Kern River; that

that said Kern Island Irrigating Canal Company is the owner of that certain water ditch or canal known as the Kern Island Irrigating Canal, with the lateral branches thereof, which said canal commences on the South bank of said Kern River; that said James Canal Company is the owner of that certain water ditch or canal known as the James Canal, with the lateral branches thereof, which said canal commences on the South bank of said Kern River; that said Anderson Canal Company is the owner of that certain water ditch or canal known as the Anderson Canal, with the lateral branches thereof, which said canal commences on the South bank of said Kern River; that the said Stine Canal Company is the owner of that certain water ditch or canal known as the Stine canal, with the lateral branches thereof , which said canal commences on the south bank of said Kern River; that the said Plunkett Canal Company is the owner of that certain water ditch or canal known as the Plunkett Canal, with the lateral branches thereof, which said canal commenced on the South bank of said Kern River; that the said James & Dixon Canal Company is the owner of that certain water ditch or canal known as the James & Dixon Canal, with the lateral branches thereof, which said canal commences on the North bank of said Kern River; that the said Joice Canal Company is the owner of that certain water ditch or canal known as the Joice Canal, with the lateral branches thereof, which said canal commences on the North bank of said Kern River; that the said Kern River Canal and Irrigating Company is the owner of that certain water ditch or canal known as the Beardsley Canal, with the lateral branches thereof, which said canal commences on the North bank of said Kern River; that the said Central Canal Company is the owner of that certain water ditch or canal known as the Calloway Canal, with the lat-

eral branches thereof, which said canal commences on the North bank of said Kern River.

2. That said Farmers Canal Company is, and ever since the 20th day of April, 1873 (subject to the rights of other parties hereto herein decreed to be prior rights) has been the owner and entitled to divert and appropriate from said Kern River, by means of and through its said canal, one hundred and fifty cubic feet per second of the waters of said river, and that each of the defendants herein be and they are hereby forever enjoined and prohibited from in any manner or by any means or agency obstructing, hindering or interfering with the use and enjoyment by said plaintiff of its rights aforesaid and herein described and declared, except as in this decree particularly stated.

3. That said Pioneer Canal Company is, and has been ever since the first day of August, 1873 (subject to the rights of other parties hereto herein declared to be prior rights) the owner of and entitled to divert and appropriate from said Kern River, by means of and through its said canal, one hundred and thirty cubic feet per second of the waters of said river, and that each of the defendants herein be and they are hereby forever enjoined and prohibited from in any manner or by any means or agency obstructing, hindering or interfering with the use and enjoyment by said plaintiff of its right aforesaid and herein described and declared, except as in this decree particularly stated.

4. That the said Buena Vista Canal Company is, and has been ever since the 15th. day of July, 1870 (subject to the rights

of other parties hereto herein declared to be prior rights) the owner of and entitled to divert and appropriate from said Kern River, by means of and through its said canal, eighty cubic feet per second of the waters of said river, and that each of the defendants herein be and they are hereby forever enjoined and prohibited from in any manner or by any means or agency obstructing, hindering or interfering with the use and enjoyment by said plaintiff of its said right aforesaid and herein described and declared, except as in this decree particularly stated.

5. That the said Kern Island Irrigating Canal Company is, and has been, ever since the first day of January, 1870, the owner of and entitled to divert and appropriate from said Kern River, by means of and through its said canal, three hundred cubic feet per second of the waters of said river, and that each of the defendants be and they are hereby forever enjoined and prohibited from in any manner or by any means or agency obstructing, hindering or interfering with the use and enjoyment by said plaintiff of its right aforesaid and herein described and declared, and the said right of the said plaintiff is hereby declared to be prior and paramount to the rights of any and all the parties to this action.

Said Kern Island Irrigating Canal Company is also the owner of and entitled to divert and appropriate from said Kern River, by means of and through its said canal, fifty-six cubic feet per second of the waters of said river in addition to said three hundred cubic feet per second last above mentioned, and such right is subject to the rights of the other parties to this action as herein decreed and established, and that each of the

defendants herein be and they are hereby forever enjoined and prohibited from in any manner or by any means or agency obstructing, hindering or interfering with the use and enjoyment by said plaintiff of its said last named right, except as in this decree particularly stated.

6. That said James Canal Company is, and has been ever since the 15th. day of October, 1871, (subject to the rights of other parties hereto herein declared to be prior rights) the owner of and entitled to divert and appropriate from said Kern River, by means of and through its said canal, one hundred and twenty cubic feet per second of the waters of said river, and that each of the defendants herein be and they are hereby forever enjoined and prohibited from in any manner or by any means or agency obstructing, hindering or interfering with the use and enjoyment by said plaintiff of its right aforesaid and herein described and declared, except as in this decree particularly stated.

7. That said Anderson Canal Company (subject to the rights of other parties hereto herein declared to be prior rights) is, and ever since the 9th day of October, 1872, has been the owner of and entitled to divert and appropriate from said Kern River, by means of and through its said canal, twenty cubic feet per second of the waters of said river, and is and has been, ever since March, 1874, the owner of and entitled to divert and appropriate from said Kern River, by means of and through its said canal, ten additional cubic feet per second of the waters of said river, making in all from said last mentioned date

thirty cubic feet per second of the waters of said river, and that each of the defendants be and they are hereby forever enjoined and prohibited from in any manner or by any means or agency obstructing, hindering or interfering with the use and enjoyment by said plaintiff of its right aforesaid and herein described and declared, except as in this decree particularly stated.

8. That said Stine Canal Company is and has been, ever since the 15th. day of December, 1872, (subject to the rights of other parties hereto herein declared to be prior rights) the owner of and entitled to divert and appropriate from said Kern River, by means of and through its said canal, one hundred and fifty cubic feet per second of the waters of said river, and that each of the defendants herein be and they are hereby forever enjoined and prohibited from in any manner or by any means or agency obstructing, hindering or interfering with the use and enjoyment by said plaintiff of its right aforesaid and herein described and declared, except as in this decree particularly stated.

9. That the said Plunkett Canal Company is and has been, ever since the first day of June, 1873, (subject to the rights of other parties hereto herein declared to be prior rights) the owner of and entitled to divert and appropriate from said Kern River, by means of and through its said canal, forty cubic feet per second of the waters of said river, and that each of the defendants herein be and they are hereby forever enjoined and prohibited from in any manner or by any means or agency obstructing, hindering or interfering with the use and enjoyment by said plaintiff of its right aforesaid and herein described

and declared, except as in this decree particularly stated.

10. That the said James & Dixon Canal Company is and has been, ever since the first day of January, 1874 (subject to the rights of other parties hereto herein declared to be prior rights) the owner of and entitled to divert and appropriate from said Kern River, by means of and through its said canal, forty cubic feet per second of the waters of said river, and that each of the defendants herein be and they are hereby forever enjoined and prohibited from in any manner or by any means or agency obstructing, hindering or interfering with the use and enjoyment by said plaintiff of its right aforesaid and herein described and declared, except as in this decree particularly stated.

11. That the said Joice Canal Company is and has been, ever since the 2d. day of June, 1873 (subject to the rights of other parties hereto herein declared to be prior rights) the owner of and entitled to divert from said Kern River, by means of and through its said canal, forty cubic feet per second of the waters of said river, and that each of the defendants herein be and they are hereby forever enjoined and prohibited from in any manner or by any means or agancy obstructing, hindering or interfering with the use and enjoyment by said plaintiff of its right aforesaid and herein described and declared, except as in this decree particularly stated.

12. That the said Kern River Canal and Irrigating Company (subject to the rights of other parties hereto herein declared to be prior rights) is and has been, ever since the 2d. day of December, 1873, the owner of and entitled to divert and appro-

priate from said Kern River, by means of and through its said canal, sixty cubic feet per second of the waters of said river, and is and has been, ever since the year 1882, the owner of and entitled to divert and appropriate from said Kern River, by means of and through its said canal, one hundred and fifteen cubic feet per second additional of the waters of said river, and is and has been, ever since the year 1891, the owner of and entitled to divert and appropriate from said Kern River, by means of and through its said canal, one hundred and twenty-five cubic feet per second additional of the waters of said river, making in all from said last mentioned date, three hundred cubic feet per second of the waters of said river, and that each of the defendants herein be and they are hereby forever enjoined and prohibited from in any manner or by any means or agency obstructing, hindering or interfering with the use and enjoyment by said plaintiff of its right aforesaid and herein described and declared, except as in this decree particularly stated.

13. That the said Central Canal Company is and has been, ever since the 4th day of May, 1875 (subject to the rights of other parties hereto herein declared to be prior rights) the owner of and entitled to divert and appropriate from said river, by means of and through its said canal, eight hundred and fifty cubic feet per second of the waters of said river, and that each of the defendants herein be and they are hereby forever enjoined and prohibited from in any manner or by any means or agency obstructing, hindering or interfering with the use and enjoyment by said plaintiff of its right aforesaid and herein described and declared, except as in this decree particularly

stated.

14. That the right of each of said plaintiffs to divert and appropriate said waters includes the right to use the same and furnish the same to others to be used for domestic, agricultural, stock, mechanical and manufacturing purposes, but not to suffer the same to be wasted, and that as between themselves, when there is not sufficiant water available for all of said plaintiffs, the order of right and priority shall be as follows:

First. The right of Kern Island Irrigating Canal Company to three hundred cubic feet per second;

Second. The right of Buena Vista Canal Company to eighty cubic feet per second;

Third. The right of James Canal Company to one hundred and twenty cubic feet per second;

Fourth. The right of Anderson Canal Company to its first twenty cubic feet per second;

Fifth. The right of Stine Canal Company to one hundred and fifty cubic feet per second;

Sixth. The right of Farmers Canal Company to one hundred and ~~twenty-five~~ fifty cubic feet per second;

S.B.

Seventh. The right of Plunkett Canal Company to forty cubic feet per second;

Eighth; The right of Joice Canal Company to forty cubic feet per second;

Ninth. The right of Pioneer Canal Company to one hundred and thirty cubic feet per second;

Tenth. The right of Kern River Canal and Irrigating Company to its first sixty cubic feet per second;

Eleventh. The right of James & Dixon Canal Company to

forty cubic feet per second;

Twelfth. The right of Anderson Canal Company to its additional ten cubic feet per second;

Thirteenth. The right of Central Canal Company to its eight hundred and fifty cubic feet per second;

Fourteenth. The right of Kern River Canal and Irrigating Company to its additional two hundred and forty cubic feet per second;

Fifteenth. The right of Kern Island Irrigating Canal Company to its additional fifty-six cubic feet per second.

15. That nothing in any part of this decree shall be taken or construed to affect or impair any right which any party hereto may have subordinate to the rights of plaintiffs to take and receive water from any of the plaintiffs through any of their said canals and under the rules and regulations of such plaintiff unless it is expressly so declared herein.

16. That the defendant Wible Orchard & Vineyard Company is the owner of and entitled to have and receive, of the waters of Kern River, sufficient water for the irrigation of, and for domestic use and the watering of stock on, lands in Kern County, State of California, described as the North half of the North half, and the Southeast quarter of the Northwest quarter of Section 14, containing two hundred acres, more or less, all in Township 30 South, Range 27 East, Mount Diablo Base and Meridian, to be taken or delivered from Panama Slough at some point below where said Farmers Canal Company begins to use said slough as a part of its canal, and to be delivered

L.S. or taken by said Wible Orchard and Vineyard Co from said river through said Farmers Ca-

by the said Farmers Canal Company, and to be taken or delivered

L.S. at said land, or ditch of said defendant

in heads of not less than five nor more than eight cubic feet per second, at the option of said defendant, at such times and for such periods as may be necessary, by the use of reasonable means and diligence, for the reasonable irrigation of said land, and no longer, and only while so used, and in the meantime to

L.S. and through

take or receive from said Farmers Canal so much of such water only as may be reasonably necessary for domestic use and for the watering of stock upon said land, and only while so used, or while necessary for said uses; the said water ~~to be appurtenant to said land, and~~ in no case to exceed the equivalent of

L.S.

L.S. a continuous flow of one and ~~one~~ fourth cubic feet per second, and to be apportioned at the rate of one cubic foot per second for each one hundred and sixty acres thereof. Said right shall be at all times subject and subordinate to the right of the Kern Island Irrigating Canal Company to take, divert and appropriate from said river three hundred cubic feet per second of the waters thereof, and to the rights of Miller & Lux to have delivered, at the second point of measurement provided for in the contract dated July 28, 1888, set forth at length in said findings, and known as the "Miller-Haggin contract," the full one-third, without diminution, of all water flowing in said river during the months of March, April, May, June, July and August of each year at the first point of measurement provided for in said contract in excess of the three hundred ~~feet~~ cubic feet per second thereof belonging to said Kern Island Irrigating Canal Company, and said right of said defendant is coequal with the right of its co-defendants Charles Kerr, Philo D. Jewett and Miller & Lux to water for use on lands along and near Panama Slough as herein decreed. But the

said right of said defendant is prior and paramount to all the other rights to the waters of Kern River herein decreed and established, and each and every of the parties to this action is hereby forever enjoined from in any manner or by any means or agency interfering with, hindering, obstructing or impairing the right of said Wible Orchard & Vineyard Company to the water of said river as herein decreed and described and according to the priority herein decreed and established; and in the event that the surplus, after the rights of said two parties are supplied, is not sufficient to supply the water herein decreed to said defendant and to its co-defendants Charles Kerr, Philo D. Jewett and Miller & Lux for use on lands along and near Panama Slough, then the share of said defendant thereof is declared to be in the proportion of five to forty-two, and that said defendant has no interest in or right to use said Panama Slough above its junction with said Farmers Canal on Section 25, Township 30 South, Range 27 East, nor any interest in or right to said South Fork channel.

17. That the defendant Charles Kerr is the owner of and entitled to have and receive, of the waters of Kern River, sufficient water for the irrigation of, and for domestic use and the watering of stock on, the lands in Kern County, State of California, described as the Southwest quarter of the Southwest quarter, the Southwest quarter of the Northwest quarter, and the North half of the Southwest quarter of Section 14, in Township 30 South, Range 27 East, Mount Diablo Base and Meridian, containing one hundred and sixty acres, more or less, to be taken or delivered from Panama Slough at some point below where said Farmers Canal Company begins to use said slough as a part of its canal, and to be delivered by the said Farmers Canal Company, ~~and to be taken~~ or taken by said Charles Kerr from said River through said Farmers Canal, and to be taken

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of said land, or ditch of said defendant
or delivered in heads of not less than five nor more than eight cubic feet per second, at the option of said defendant, at such times and for such periods as may be necessary, by the use of reasonable means and diligence, for the reasonable irrigation of said land, and no longer, and only while so used, and through
and in the meantime to have, take or receive from said Farmers Canal so much of ~~xxxx~~ such water only as may be reasonably necessary for domestic use and for the watering of stock upon said land, and only while so used, or while necessary for said uses; the said water ~~to be appurtenant to said land, and~~ in no case to exceed the equivalent of a continuous flow of one cubic foot per second. The said right shall be at all times subject and subordinate to the right of the Kern Island Irrigating Canal Company to take, divert and appropriate from said river three hundred cubic feet per second of the waters thereof, and to the rights of Miller & Lux to have delivered, at the second point of measurement provided for in the contract dated July 28, 1888, set forth at length in said findings, and known as the "Miller-Haggin contract", the full one-third, without diminution, of all the water flowing in said river during the months of March, April, May, June, July and August of each year, at the first point of measurement provided for in said contract in excess of the three hundred cubic feet per second thereof belonging to said Kern Island Irrigating Canal Company, and said right of said defendant is co-equal with the right of his co-defendants Wible Orchard & Vineyard Company, Philo D.Jewett and Miller & Lux to water for use on lands along and near Panama Slough as herein decreed. But the said right of said defendant is prior and paramount to all the other rights to the waters of Kern River

herein decreed and established, and each and every one of the parties to this action is hereby forever enjoined from in any manner, or by any means or agency, interfering with, hindering, obstructing or impairing the right of said Charles Kerr described, and to the water of said river as herein decreed and ~~established~~ according to the priority herein decreed and established; and, in the event that the surplus, after the rights of said two parties are supplied, is not sufficient to supply the water herein decreed to said defendant and to his co-defendants, Wible Orchard & Vineyard Company, Philo D. Jewett and Miller & Lux, for use on lands along and near Panama Slough, then said defendant's share thereof is declared to be in the proportion of four to forty-two. And that said defendant has no interest in, or right to use said Panama Slough above its said junction with said Farmers Canal, nor any interest in or right to said South Fork Channel.

18. That the said defendant Philo D. Jewett is the owner of and entitled to have and receive, of the waters of Kern River, sufficient water for the irrigation of, and for domestic use and the watering of stock on, the lands in Kern County, State of California, described as the south half of the northeast quarter, the southeast quarter of the southwest quarter, and the whole of the southeast quarter of Section 14, in Township 30 South, Range 27 East, Mount Diablo Base and Meridian, containing two hundred and eighty acres, more or less, to be taken or delivered from Panama Slough at some point below where said Farmers Canal Company begins to use said slough as a part of its canal, and to be delivered by the said Farmers Canal Company, and to be taken or delivered by said Philo D Jewett from said river through said Farmers Canal in heads of not less than five nor more than eight cubic feet per second, at the option of said defendant, at such times and for such periods as may be necessary, by the use of reasonable means and

diligence, for the reasonable irrigation of said land, and no longer, and only while so used, and in the meantime to have, take or receive from and through said Farmers Canal so much of such water only as may be reasonably necessary for domestic use and for the watering of stock upon said land, and only while so used, or while necessary for said uses; the said ~~xxx~~ water ~~to be appurtenant to said land, and~~ in no case to exceed the equivalent of a continuous flow of one and three-fourths cubic feet per second, and to be apportioned at the rate of one cubic foot per second for each one hundred and sixty acres thereof. The said right shall be at all times subject and subordinate to the right of the Kern Island Irrigating Canal Company to take, divert and appropriate from said river three hundred cubic feet per second of the waters thereof, and to the rights of Miller & Lux to have delivered, at the second point of measurement provided for in the contract dated July 28, 1888, set forth at length in said findings, and known as the "Miller-Haggin contract", the full one-third, without diminution, of all the water flowing in said river during the months of March, April, May, June, July and August of each year, at the first point of measurement provided for in said contract, in excess of the three hundred cubic feet per second thereof belonging to said Kern Island Irrigating Canal Company, and said right of said defendant is co-equal with the right of his co-defendants Wible Orchard & Vineyard Company, Charles Kerr and Miller & Lux to water for use on lands along and near Panama Slough as herein decreed. But the said right of said defendant is prior and paramount to all the other rights to the waters of Kern River herein decreed and established, and each and every one of the parties to this action is hereby forever enjoined

from in any manner, or by any means or agency, interfering with, hindering, obstructing or impairing the right of said Philo D.Jewett to the water of said river as herein decreed and described, and according to the priority herein decreed and established; and, in the event that the surplus, after the rights of said two parties are supplied, is not sufficient to supply the water herein decreed to said defendant and to his co-defendants Charles Kerr, Wible Orchard & Vineyard Company and Miller & Lux for use on lands along and near Panama Slough, then said defendant's share thereof is declared to be in the proportion of seven to forty-~~four~~ two. And that said defendant has no interest in, or right to use said Panama Slough above its said junction with said Farmers Canal, nor any interest in or right to said South Fork Channel.

19. That the defendant Miller & Lux, a corporation, is the owner of and entitled to have and receive, of the waters of Kern River, sufficient water for the irrigation of, and for domestic use and the watering of stock on lands in Kern County, State of California, described as the southeast quarter and the east half of the southwest quarter of Section 22, the southwest quarter of Section 23, and the whole of Section 26, all in Township 30 South, Range 27 East, Mount Diablo Base and Meridian, and containing one thousand and forty acres, more or less, to be taken or delivered from Panama Slough at some point below where said Farmers Canal Company begins to use said slough as a part of its canal, and to be delivered by the said Farmers Canal Company, or taken by said Miller & Lux from said river through said Farmers Canal at said lands or ditch of said defendant and to be taken or delivered in heads of not less than five nor more than eight cubic feet per second, at the option of said defendant, at such times and for such periods as may be necessary, by the use of reasonable means and diligence, for the reasonable irrigation of said land, and no longer, and only while so used

and in the meantime to have, take or receive from and through said Farmers Canal so much of such water only as may be reasonably necessary for domestic use and for the watering of stock on said land, and only while so used, or while necessary for said uses; the said water ~~to be appurtenant to the said lands, and~~ in no case to exceed the equivalent of a continuous flow of six and one-half cubic feet per second, and to be apportioned at the rate of one cubic foot per second for each one hundred and sixty acres thereof. Said right shall be at all times subject and subordinate to the right of the Kern Island Irrigating Canal Company to take, divert and appropriate from said river three hundred cubic feet per second of the waters thereof, and to the rights of Miller & Lux to have delivered, at the second point of measurement provided for in the contract dated July 28, 1888, set forth at length in said findings, and known as the "Miller-Haggin contract", the full one-third, without diminution, of all the water flowing in said river during the months of March, April, May, June, July and August of each year, at the first point of measurement provided for in said contract, in excess of the three hundred cubic feet per second thereof belonging to said Kern Island Irrigating Canal Company; and said right of said defendant is co-equal with the right of its co-defendants Charles Kerr, Philo D.Jewett and Wible Orchard & Vineyard Company to water for use on lands along and near Panama Slough as herein decreed. But the said right of said defendant is prior and paramount to all the other rights to the waters of Kern River herein decreed and established, and each and every of the parties to this action is hereby forever enjoined from in any manner, or by any means or agency, interfering with, hindering,

obstructing or impairing the right of said Miller & Lux to the water of said river as herein decreed and described and according to the priority herein decreed and established; and in the event that the surplus, after the rights of said two parties are supplied, is not sufficient to supply the water herein decreed to said defendant and to its co-defendants Charles Kerr, Philo D. Jewett and Wible Orchard & Vineyard Company for use on lands along and near Panama Slough, then the share of said defendant thereof is declared to be in the proportion of twenty-six to forty-~~four~~ five. And that said defendant has no interest in, or right to use, said Panama Slough above its said junction with said Farmers Canal, nor any interest in or right to said South Fork Channel.

20. This decree is not to be construed as defining or determining the rights of any of the parties in or to the waters of Kern River which the owners of the Castro Ditch or canal or any other canal not herein mentioned and the McCord Canal are entitled to divert, and the rights of any party hereto as owner of an interest in said Castro ditch or McCord Canal or other canal not herein mentioned and the waters which the owners thereof claim the right to divert shall be in nowise affected by any provisions of this decree, and nothing contained in this decree shall be construed to fix or define the rights of Miller & Lux as successors of certain of the parties of the first part named in the said "Miller-Haggin Contract" to the waters of Kern River nor to fix or define the obligations of the plaintiffs under said contract.

21. Nothing in this decree is to be construed as determining the respective rights of the parties of the second part to said "Miller-Haggin contract", as between each other, to the surplus of the waters of Kern River over and above the amounts necessary to supply the quantity due to the Kern Island Irrigat-

ing Canal Company under said contract and necessary to supply the parties of the first part under said contract and necessary to supply those of the parties of the second part to said contract who are hereby decreed to have the right to specific quantities of water from said Kern River; and as to said surplus it is hereby decreed that the rights of the parties of the second part to said "Miller-Haggin contract" thereto are as determined by the provisions of said contract. It is further decreed that the rights of the parties of the first part to the said "Miller-Haggin contract" to have delivered at the second point of measurement provided for in said contract the full one-third, without diminution, of all water flowing in said river during the months of March, April, May, June, July and August of each year at the first point of measurement provided for in said contract in excess of the three hundred cubic feet per second thereof belonging to the Kern Island Irrigating Canal Company is prior and paramount to the rights of the plaintiffs herein decreed to the specific quantities of water to which they are declared to be entitled, except the right of said Kern Island Irrigating Canal Company to said three hundred cubic feet per second.

22. That so long as the said Farmers Canal Company shall continue to deliver to the said Wible Orchard & Vineyard Company, Charles Kerr, Philo D. Jewett and Miller & Lux the amount of water of Kern River herein decreed to be due to said defendants respectively, the said Farmers Canal Company shall have exclusive management and control of the said Farmers Canal for the purpose of carrying said water to the said defendants and to other persons and lands entitled to receive water therefrom;

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but if said Farmers Canal Company shall at any time fail or refuse to deliver the water to which the said defendants are entitled, or either of them respectively, to them at their said lands respectively, then in that event the said defendants or either of them have the right to use and control the said Farmers Canal so far as may be necessary to enable them to divert the water to which they are hereby declared to be entitled from Kern River through the headgate of said canal and conduct the same to their respective tracts of land or places of diversion from said canal. Said defendants each, respectively, shall make the dam and headgate or other works by which to divert the water to which he is entitled from said Slough or Canal and said Farmers Canal Company shall deliver said water at said headgate without charge, and shall not be under obligation to deliver such water to such defendants at any other place. None of the parties have any rights to the waters of Kern River other than as herein decreed, declared or reserved.

Done in open Court this 6th day of August 1900.

Lucien Shaw

Judge.

21

SUPERIOR COURT OF KERN COUNTY

STATE OF CALIFORNIA

FARMERS CANAL COMPANY, et al.,

Plaintiffs,

-vs.-

J. R. SIMMONS, et al.,

Defendants.

DECREE.

-----X-----

Filed Aug 6th 1900
D. L. Miller
Clerk
By Beall Smith
Deputy Clerk

COUNTY CLERK'S MEMO: Legibility of writing, typing or printing UNSATISFACTORY in this document when received. 20

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THE DOCUMENT TO WHICH THIS CERTIFICATE IS ATTACHED IS A FULL, TRUE AND CORRECT COPY OF THE ORIGINAL ON FILE AND OF RECORD IN MY OFFICE.

ATTEST AUG - 7 1996
TERRY McNALLY Clerk of the Superior Court of the State of California, in and for the County of Kern.

By _____ DEPUTY

AGREEMENT FOR USE OF WATER RIGHTS

THIS AGREEMENT, made as of the 1st day of January, 1952, by and between KERN COUNTY LAND COMPANY, KERN COUNTY CANAL AND WATER COMPANY, JAMES CANAL, INC., ANDERSON CANAL, INC., PLUNKET CANAL, INC., JOYCE CANAL, INC., PIONEER CANAL, INC., LERDO CANAL COMPANY, JAMES AND DIXON CANAL, INC., and CENTRAL CANAL COMPANY, each of which is a California corporation, First Parties, hereinafter called "Companies", and NORTH KERN WATER STORAGE DISTRICT, a water storage district duly organized and existing under and by virtue of the California Water Storage District Law, Second Party, hereinafter called "District",

W I T N E S S E T H:

THAT WHEREAS:

A. Each of the First Parties named above, except Kern County Land Company, is a subsidiary of said Kern County Land Company;

B. Under date of August 1, 1950, said Kern County Land Company and the District entered into a certain Option Agreement which was attached to and made a part of the Report dated August 15, 1950, by the Board of Directors of the District to the State Engineer of the State of California on the Feasibility of the District Project;

C. In the manner and within the time provided in said Option Agreement the District exercised the option therein given to it; and

EXHIBIT 59

D. The parties desire by this agreement to carry out the provisions of said Option Agreement and the purposes and objects of said Feasibility Report with respect to the acquisition of interests in water rights by the District;

NOW, THEREFORE, the parties hereby agree with each other as follows:

1. Identification of Water Rights. The water rights constituting the subject of this agreement are those certain rights to divert water from the Kern River in Kern County, California, which are known and identified by the following names, priority dates and quantities:

Name of Diversion Right	Priority Date	Quantity (Cubic Feet per Second)
James (1st)	Oct. 15, 1871	120
Anderson (1st)	Oct. 9, 1872	20
Meacham	About Apr. 15; 1873	30
Plunket	June 1; 1873	40
Joyce	June 2; 1873	40
Johnson	June 12; 1873	40
Pioneer (1st)	Aug. 1, 1873	130
Lerdo portion (30%) of Beardsley (1st)	Dec. 2, 1873	18
Anderson (2d)	Mar. 1874	10
James & Dixon	June 1; 1874	40
McCaffrey	Oct. 31, 1874	26
Lerdo portion (51%) of McCord	Mar. 20; 1875	51
Portion (80%) of Calloway	May 4; 1875	680
Portion (80%) of Railroad	Aug. 7, 1876	160
James (2d)	-	180
Pioneer (2d)	-	170
Lerdo portion (30%) of Beardsley (2d)	-	72
Kern County Land Company portion (4.563%) of the rights of the "Second Point" Entitlement under the Miller-Haggin Agreement of 1888 as amended	-	-

Subject, however, to the following:

A. The provisions of the above-mentioned Miller-Haggin Agreement of 1888, more particularly defined as the

agreement made between Henry Miller and others and James B. Haggin and others under date of July 28, 1888, and recorded in the office of the County Recorder of Kern County, California, in Book 2 of Agreements at page 40, and all amendments and supplements thereof and thereto, including that certain supplemental agreement between Henry Miller and James B . Haggin, dated November 30, 1889, and that certain agreement between Miller & Lux, Incorporated, as first party, Carmel Cattle Company and others, as second parties, and Buena Vista Water Storage District, as third party, dated June 19, 1930, and recorded in the office of the County Recorder of Kern County, California, on July 8, 1930, in Book 374 of Official Records at page 34, and that certain indenture between Miller & Lux, Incorporated, and others, as first parties, and Buena Vista Associates, Incorporated, as second party, dated June 19, 1930, and recorded in the office of the County Recorder of Kern County, California, on July 8, 1930, in Book 372 of Official Records at page 147.

B. The Shaw Decree of 1900, more particularly defined as the Judgment made and entered August 6, 1900, by the Superior Court of the State of California in and for the County of Kern, the Honorable Lucien Shaw, Judge presiding, in a certain action No. 1901 entitled "Farmers Canal Company, et al., Plaintiffs, vs. J. R. Simmons, et al., Defendants".

C. The right of Kern River Canal and Irrigating Company, a California corporation, to use in performance of its duties and obligations as a public utility so much of the above-described portions of the Beardsley and McCord

water rights as may be required by said company, over and above all other water rights available to it, for the performance of such duties and obligations.

2. Rights of District. The Companies hereby agree that the District shall have the right in perpetuity, subject to the provisions of this agreement, to divert, transport to the District and use so much of the water accruing to the water rights described above during each calendar month of each year as shall enable the District to divert from the Kern River not more than the maximum quantity set forth for such month in the following tabulation:

Month	Maximum Diversion (acre feet)
January	32,800
February	34,200
March	41,200
April	44,000
May	46,800
June	48,200
July	52,400
August	49,600
September	44,000
October	38,400
November	35,600
December	32,800

Within such maximum limits, and within the maximum yields of the water rights described in Paragraph 1 above, the District shall at all times hereafter have the first priority to all water accruing to the above-described water rights, but the Companies reserve, retain and shall continue to own the right to divert and use all such water except the water actually diverted by the District pursuant to this agreement.

3. Effect of Failure of District to Divert Maximum Entitlements. If at any time hereafter the District shall

fail to divert from the Kern River the maximum quantity of water which the District shall be entitled to divert at such time under this agreement, then the excess of such maximum over the quantity actually diverted by the District at such time shall revert and belong to the Companies, and the District shall have no right to carry such excess forward or accumulate it for subsequent diversion by the District. However, no failure of the District to divert its maximum entitlement at any time, no matter how long continued or for what reason or purpose, shall operate in any manner to reduce, impair, restrict or modify the maximum quantities which the District shall be entitled to divert thereafter under this agreement. The Companies hereby jointly and severally agree with the District never to claim, contend or assert that any of the rights of the District hereunder shall have been lost, relinquished, or reduced by non-user, or by any failure or neglect of the District to divert and utilize the maximum quantity of water which it may be entitled to divert herein.

4. Effect of Excess Diversion by the District. The District agrees that it will not at any time divert from the Kern River more than the maximum quantity of water which it is entitled to divert at such time according to the provisions of this agreement, and any other agreement or agreements whereby the District may acquire rights to use waters of the Kern River. If the District shall ever divert from the Kern River more water than it shall be so entitled to divert at such time, then the amount of excess so diverted shall be deducted and withheld from the first water which

the District otherwise would be entitled under this agreement to divert thereafter. No excess diversion by the District, no matter how often repeated or how long continued, shall have the result or effect of enlarging the rights of the District herein, and the District hereby agrees never to make any claim, contention or assertion against the Companies to that effect.

5. Rights Retained by the Companies. The Companies retain and reserve to themselves in accordance with their respective rights and interests, each and all the following:

(a) All waters accruing and available to and under the above described water rights in each calendar month over and above the maximum monthly diversion of the District as hereinabove set forth; and

(b) All waters which the District shall be entitled to divert hereunder but which the District shall fail to divert or shall fail to use; and

(c) All waters which shall be diverted by the District from the channel of the Kern River but which shall in any manner flow back into the channel of the Kern River either over the surface or through the ground; and

(d) All waste, seepage and return flow water derived from water so diverted by the District and escaping or discharged beyond the present boundaries of the District.

6. Purpose of Use by District. Any and all waters which shall be diverted by the District from the Kern River pursuant to this agreement may be used for the purpose of irrigation, stock watering and underground water replenishment and for no other purpose or purposes whatsoever.

7. Place of Use by District. Any and all waters diverted by the District from the Kern River hereunder may

be used within the present boundaries of the District, but not elsewhere.

8. Consideration. As consideration for this agreement, the District hereby agrees to deliver to the above-named Kern County Land Company, as receiving agent for the Companies, District warrants payable to said Kern County Land Company in the aggregate sum of One Million Nineteen Thousand One Hundred Twenty-One Dollars ($1,019,121.00) duly authorized and executed by the District, and to pay all of said warrants in full in lawful money of the United States on or before January 1, 1957, with interest at the rate of three per cent (3%) per annum.

9. Refund Agreement. The Companies do not wish to realize upon this transaction any gain or profit taxable under the income tax laws of the United States, and accordingly the consideration hereunder has been fixed by the parties at an amount which the parties agree is substantially less than the present value of the water rights herein described but which the parties believe to be not more than the amount which the Companies may receive for said rights without incurring any Federal income tax upon the transaction. If it shall ever be determined by a final decision of an agency or court of the United States having jurisdiction of the matter that the consideration hereunder is more than the last-mentioned amount, then, upon demand, the Companies will immediately refund the excess to the District (without interest) in District warrants or in lawful money of the United States.

10. No Warranty. The District agrees that no warranty or representation is or has been made by or on behalf of the Companies or any of them respecting the extent, value or validity of the water rights herein described or the quantity or quality of water which may be available thereunder. The Dis-

trict also agrees that nothing herein contained will be deemed or claimed by the District to obligate the Companies or any of them to defend said water rights against attack or to protect said water rights from interference by others.

11. Upstream Storage. If upstream storage facilities shall ever become available for the storage of any of the water accruing to the District under the above-described water rights and if the District shall desire to make use of such storage facilities, then the District agrees that it will pay its fair share of the cost of such storage facilities in return for its right to the use thereof. Nothing herein contained shall ever be deemed or claimed by the District to obligate the Companies or any of them to pay for or contribute to the cost of the right or privilege of the District to use any such storage facilities for the storage of water accruing to the District hereunder.

12. Repurchase of Rights. If at any time or times while this agreement remains in effect the District shall determine that any of its rights under this agreement are no longer needed by the District then the District shall give the Companies written notice to that effect, specifying the rights which are no longer needed. Thereupon the Companies shall have the option, and if such notice shall be given prior to January 1, 1972, the Companies shall be obligated, to purchase from the District within six (6) months after the receipt of such notice all of the rights of the District under this agreement which are specified in such notice. The price for such rights shall be the then value of the rights specified in such notice based

upon a capital value of an ideal water right of Fifteen Dollars ($15.00) per acre foot as set forth on page 43 of the above-mentioned Report on the Feasibility of the District Project, applied to the yield of the rights specified in such notice in the manner and in accordance with the formulas set forth in Appendix F at pages 180 to 184 of said Report. Such price shall be paid in cash in exchange for an appropriate form of relinquishment of such rights, duly executed by the District.

13. Notices. Any notice with respect to this agreement shall be deemed fully given and made when delivered in writing or mailed by registered mail as follows:

If to any of the Companies:

To Kern County Land Company
950 Bank of America Building
300 Montgomery Street
San Francisco 4, California

If to the District:

To North Kern Water Storage District
1700 Nineteenth Street
Bakersfield, California

The address of either party may be changed by written notice to the other.

14. Assignments. This agreement shall bind and inure to the benefit of the successors and assigns of the respective parties, but the District shall have no right to assign this agreement, either voluntarily or by operation of law, without the prior written consent of the above-named Kern County Land Company, and any assignment or attempted assignment without such consent shall at the option of said Company be null and void.

IN WITNESS WHEREOF, the parties hereto have signed this agreement in triplicate this 9th day of July, 1952, as of the day and year first above written.

KERN COUNTY LAND COMPANY

By _____ Its President

and by _____ Its Secretary

(Corporate Seal)

KERN COUNTY CANAL AND WATER COMPANY

By _____ Its President

and by _____ Its Secretary

(Corporate Seal)

JAMES CANAL, INC.

By _____ Its President

and by _____ Its/Secretary ASSISTANT

(Corporate Seal)

ANDERSON CANAL, INC.

By _____ Its President

and by _____ Its/Secretary ASSISTANT

(Corporate Seal)

PLUNKET CANAL, INC.

By _____ Its President

and by _____ Its/Secretary ASSISTANT

(Corporate Seal)

JOYCE CANAL, INC.

By _____ Its President

and by _____ Its/Secretary ASSISTANT

(Corporate Seal)

PIONEER CANAL,

By _____ Its President

and by _____ Its/Secretary ASSISTANT

(Corporate Seal)

LERDO CANAL COMPANY

By _____ Its President

and by _____ Its/Secretary ASSISTANT

(Corporate Seal)

JAMES AND DIXON CANAL, INC.

By _____ Its President

and by _____ Its/Secretary ASSISTANT

(Corporate Seal)

CENTRAL CANAL COMPANY

By _____ Its President

and by _____ Its/Secretary ASSISTANT

(Corporate Seal)

FIRST PARTIES

NORTH KERN WATER STORAGE DISTRICT

By _____ Its President

and by _____ Its Secretary

(District Seal)

SECOND PARTY

CONSENT OF KERN RIVER CANAL AND IRRIGATING COMPANY

The undersigned, KERN RIVER CANAL AND IRRIGATING COMPANY, a California corporation, hereby consents to the foregoing agreement in so far as it may affect water rights in which the undersigned company has or may have an interest,

subject, however, to the provisions of Clause C of Paragraph 1 of the foregoing agreement and subject also to each and all of the other provisions of said agreement.

Executed at Bakersfield, California, this 9th day of July, 1952.

KERN RIVER CANAL AND IRRIGATING COMPANY

By C. L. Davidson
Its President

and by D. S. Atwood
Its Secretary ASSISTANT

(Corporate Seal)

The consideration stated in the foregoing Agreement is hereby approved this 28th day of July, 1952, pursuant to Section 43,503 of the Water Code.

DEPARTMENT OF PUBLIC WORKS OF THE STATE OF CALIFORNIA

By A. D. Edmonston
State Engineer

State of California

City and County of San Francisco--SS.

On this 16th day of July, A.D. 1952, before me, LUCILLE F. ROTH, a Notary Public in and for the City and County of San Francisco, State of California, residing therein, duly commissioned and sworn, personally appeared John T. Pigott, known to me to be the — President, and Norman S. Angell, known to me to be the — Secretary, of KERN COUNTY LAND COMPANY, the corporation that executed the within instrument, and known to me to be the persons who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at my office in said City and County and State the day and year in this certificate first above written.

Lucille F. Roth
Notary Public
in and for the City and County of San Francisco, State of California.

(Notarial Seal)

My Commission Expires
August 10, 1953

State of California

City and County of San Francisco--SS.

On this 16th day of July, A.D. 1952, before me, LUCILLE F. ROTH, a Notary Public in and for the City and County of San Francisco, State of California, residing therein, duly commissioned and sworn, personally appeared John T. Pigott, known to me to be the — President, and Norman S. Angell, known to me to be the — Secretary, of KERN COUNTY CANAL AND WATER COMPANY, the corporation that executed the within instrument, and known to me to be the persons who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at my office in said City and County and State the day and year in this certificate first above written.

Lucille F. Roth
Notary Public
in and for the City and County of San Francisco, State of California.

(Notarial Seal)

My Commission Expires
August 10, 1953

State of California

County of Kern--SS.

On this 9th day of July, A.D. 1952, before me, R. G. SIMPSON, a Notary Public in and for the County of Kern, State of California, residing therein, duly commissioned and sworn, personally appeared G. L. HENDERSON, known to me to be the President, and D. S. ATWOOD, known to me to be the Assistant Secretary, of JAMES CANAL, INC., the corporation that executed the within instrument, and known to me to be the persons who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at my office in said County and State the day and year in this certificate first above written.

R. G. Simpson
Notary Public
in and for the County of Kern,
State of California.
My Commission Expires December 8, 1952

(Notarial Seal)

State of California

County of Kern--SS.

On this 9th day of July, A.D. 1952, before me, R. G. SIMPSON, a Notary Public in and for the County of Kern, State of California, residing therein, duly commissioned and sworn, personally appeared G. L. HENDERSON, known to me to be the President, and D. S. ATWOOD, known to me to be the Assistant Secretary, of ANDERSON CANAL, INC., the corporation that executed the within instrument, and known to me to be the persons who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at my office in said County and State the day and year in this certificate first above written.

R. G. Simpson
Notary Public
in and for the County of Kern,
State of California.
My Commission Expires December 8, 1952

(Notarial Seal)

State of California

County of Kern--SS.

On this 9th day of July, A.D. 1952, before me, R. G. SIMPSON, a Notary Public in and for the County of Kern, State of California, residing therein, duly commissioned and sworn, personally appeared G. L. HENDERSON, known to me to be the President, and D. S. ATWOOD, known to me to be the Assistant Secretary, of PLUNKET CANAL, INC., the corporation that executed the within instrument, and known to me to be the persons who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at my office in said County and State the day and year in this certificate first above written.

R. G. Simpson
Notary Public
in and for the County of Kern,
State of California.
My Commission Expires December 8, 1952

(Notarial Seal)

State of California

County of Kern--SS.

On this 9th day of July, A.D. 1952, before me, R. G. SIMPSON, a Notary Public in and for the County of Kern, State of California, residing therein, duly commissioned and sworn, personally appeared G. L. HENDERSON, known to me to be the President, and D. S. ATWOOD, known to me to be the Assistant Secretary, of JOYCE CANAL, INC., the corporation that executed the within instrument, and known to me to be the persons who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at my office in said County and State the day and year in this certificate first above written.

R. G. Simpson
Notary Public
in and for the County of Kern,
State of California.
My Commission Expires December 8, 1952

(Notarial Seal)

State of California

County of Kern--SS.

On this 9th day of July, A.D. 1952, before me, R. G. SIMPSON, a Notary Public in and for the County of Kern, State of California, residing therein, duly commissioned and sworn, personally appeared G. L. HENDERSON, known to me to be the President, and D. S. ATWOOD, known to me to be the Assistant Secretary, of PIONEER CANAL, INC., the corporation that executed the within instrument, and known to me to be the persons who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at my office in said County and State the day and year in this certificate first above written.

R. G. Simpson
Notary Public
in and for the County of Kern,
State of California.
My Commission Expires December 8, 1952

(Notarial Seal)

State of California

County of Kern--SS.

On this 9th day of July, A.D. 1952, before me, R. G. SIMPSON, a Notary Public in and for the County of Kern, State of California, residing therein, duly commissioned and sworn, personally appeared G. L. HENDERSON, known to me to be the President, and D. S. ATWOOD, known to me to be the Assistant Secretary, of LERDO CANAL COMPANY, the corporation that executed the within instrument, and known to me to be the persons who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at my office in said County and State the day and year in this certificate first above written.

R. G. Simpson
Notary Public
in and for the County of Kern,
State of California.
My Commission Expires December 8, 1952

(Notarial Seal)

State of California

County of Kern--SS.

On this 9th day of July, A.D. 1952, before me, R. G. SIMPSON, a Notary Public in and for the County of Kern, State of California, residing therein, duly commissioned and sworn, personally appeared G. L. HENDERSON, known to me to be the President, and D. S. ATWOOD, known to me to be the Assistant Secretary, of JAMES AND DIXON CANAL, INC., the corporation that executed the within instrument, and known to me to be the persons who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at my office in said County and State the day and year in this certificate first above written.

R. G. Simpson
Notary Public
in and for the County of Kern,
State of California.
My Commission Expires December 8, 1952

(Notarial Seal)

State of California

County of Kern--SS.

On this 9th day of July, A.D. 1952, before me, R. G. SIMPSON, a Notary Public in and for the County of Kern, State of California, residing therein, duly commissioned and sworn, personally appeared G. L. HENDERSON, known to me to be the President, and D. S. ATWOOD, known to me to be the Assistant Secretary, of CENTRAL CANAL COMPANY, the corporation that executed the within instrument, and known to me to be the persons who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at my office in said County and State the day and year in this certificate first above written.

R. G. Simpson
Notary Public
in and for the County of Kern,
State of California.
My Commission Expires December 8, 1952

(Notarial Seal)

State of California

County of Kern--SS.

On this 9th day of July, A.D. 1952, before me, R. G. SIMPSON, a Notary Public in and for the County of Kern, State of California, residing therein, duly commissioned and sworn, personally appeared H. E. WOODWORTH, known to me to be the President, and A. L. TROWBRIDGE, known to me to be the Secretary, of NORTH KERN WATER STORAGE DISTRICT, the water storage district that executed the within instrument, and known to me to be the persons who executed the within instrument on behalf of the water storage district therein named, and acknowledged to me that such water storage district executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at my office in said County and State the day and year in this certificate first above written.

R. G. Simpson

Notary Public
in and for the County of Kern,
State of California.
My Commission Expires December 8, 1952

(Notarial Seal)

State of California

County of Kern--SS.

On this 9th day of July, A.D. 1952, before me, R. G. SIMPSON, a Notary Public in and for the County of Kern, State of California, residing therein, duly commissioned and sworn, personally appeared G. L. HENDERSON, known to me to be the President, and D. S. ATWOOD, known to me to be the Assistant Secretary, of KERN RIVER CANAL AND IRRIGATING COMPANY, the corporation that executed the within instrument, and known to me to be the persons who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at my office in said County and State the day and year in this certificate first above written.

R. G. Simpson

Notary Public
in and for the County of Kern,
State of California.

My Commission Expires December 8, 1952

(Notarial Seal)

CERTIFIED COPY OF RESOLUTION OF
THE BOARD OF DIRECTORS OF
KERN COUNTY LAND COMPANY

I, NORMAN S. ANGELL, the Secretary of KERN COUNTY LAND COMPANY, a California corporation, hereby certify that at a regular meeting of the Board of Directors of said corporation held July 10, 1952, at which meeting a quorum of the Board of Directors of said corporation was at all times present and acting, the following resolution was duly and regularly adopted by the unanimous vote of all directors present, to wit:

> RESOLVED, that the President or Vice-President and the Secretary or Assistant Secretary of this corporation be and they hereby are authorized to execute and deliver, in the name of and on behalf of this corporation, that certain contract, by and between KERN COUNTY LAND COMPANY, KERN COUNTY CANAL AND WATER COMPANY, JAMES CANAL, INC., ANDERSON CANAL, INC., PLUNKET CANAL, INC., JOYCE CANAL, INC., PIONEER CANAL, INC., LERDO CANAL COMPANY, JAMES & DIXON CANAL, INC., CENTRAL CANAL COMPANY, each of which is a California corporation, First Parties, and NORTH KERN WATER STORAGE DISTRICT, a water storage district duly organized and existing under and by virtue of the California Water Storage District Law, Second Party, entitled "Agreement for Use of Water Rights", dated as of January 1, 1952.

I further certify that said resolution has not been amended, rescinded or superseded and that it is still in full force and effect.

I further certify that at all times since the date of said meeting the offices of President, Vice-President, Secretary and Assistant Secretary of this corporation have been and now are held by the following persons, respectively:

President	-	John T Pigott
Vice-President	-	Herber L. Reid
Vice-President	-	Thomas J. Davis, Jr.
Vice-President	-	Carl A. Melcher
Secretary	-	Norman S. Angell
Assistant Secretary	-	Herbert W. Froe
Assistant Secretary	-	Carter H. Breusing

IN WITNESS WHEREOF, I have hereunto affixed my signature and the seal of said corporation this 11th day of July 1952.

Norman S. Angell, Secretary

CERTIFIED COPY OF RESOLUTION OF
THE BOARD OF DIRECTORS OF
KERN COUNTY CANAL AND WATER COMPANY

I, NORMAN S. ANGELL, the Secretary of KERN COUNTY CANAL AND WATER COMPANY, a California corporation, hereby certify that at a special meeting of the Board of Directors of said corporation held July 14, 1952, at which meeting a quorum of the Board of Directors of said corporation was at all times present and acting, the following resolution was duly and regularly adopted by the unanimous vote of all directors present, to wit:

> RESOLVED, that the President or Vice-President and the Secretary or Assistant Secretary of this corporation be and they hereby are authorized to execute and deliver, in the name of and on behalf of this corporation, that certain contract, by and between KERN COUNTY LAND COMPANY, KERN COUNTY CANAL AND WATER COMPANY, JAMES CANAL, INC., ANDERSON CANAL, INC., PLUNKET CANAL, INC., JOYCE CANAL, INC., PIONEER CANAL, INC., LERDO CANAL COMPANY, JAMES & DIXON CANAL, INC., CENTRAL CANAL COMPANY, each of which is a California corporation, First Parties, and NORTH KERN WATER STORAGE DISTRICT, a water storage district duly organized and existing under and by virtue of the California Water Storage District Law, Second Party, entitled "Agreement for Use of Water Rights ", dated as of January 1, 1952.

I further certify that said resolution has not been amended, rescinded or superseded and that it is still in full force and effect.

I further certify that at all times since the date of said meeting the offices of President, Vice-President, Secretary and Assistant Secretary of this corporation have been and now are held by the following persons, respectively:

President	-	John T. Pigott
Vice-President	-	Herbert L. Reid
Vice-President	-	Thomas J. Davis, Jr.
Vice-President	-	Carl A. Melcher
Secretary	-	Norman S. Angell
Assistant Secretary	-	Herbert W. Free
Assistant Secretary	-	Carter H. Breusing

IN WITNESS WHEREOF, I have hereunto affixed my signature and the seal of said corporation this 14th day of July 1952.

Norman S. Angell

Norman S. Angell, Secretary

CERTIFIED COPY OF RESOLUTION
OF THE BOARD OF DIRECTORS OF
JAMES CANAL, INC.

I, D. S. ATWOOD, the Assistant Secretary of JAMES CANAL, INC., a California corporation, hereby certify that at a regular meeting of the Board of Directors of said corporation held July 7, 1952, at which meeting a quorum of the Board of Directors of said corporation was at all times present and acting, the following resolution was duly and regularly adopted by the unanimous vote of all directors present, to wit:

> RESOLVED, that the President or Vice-President and the Secretary or Assistant Secretary of this corporation be and they hereby are authorized to execute and deliver, in the name and on behalf of this corporation, a certain "Agreement for Use of Water Rights", dated as of January 1, 1952, in such form as the officers of the corporation executing the agreement shall approve.

I further certify that said resolution has not been amended, rescinded or superseded and that it is still in full force and effect.

I further certify that at all times since the date of said meeting the offices of President, Vice-President, Secretary and Assistant Secretary of this corporation have been and now are held by the following persons, respectively:

President	-	G. L. Henderson
Vice-President	-	J. W. Voorheis
Secretary	-	Carter H. Breusing
Assistant Secretary	-	D. S. Atwood

IN WITNESS WHEREOF, I have hereunto affixed my signature and the seal of said corporation this 9th day of July, 1952.

D. S. Atwood

D. S. Atwood, Assistant Secretary

CERTIFIED COPY OF RESOLUTION
OF THE BOARD OF DIRECTORS OF
ANDERSON CANAL, INC.

I, D. S. ATWOOD, the Assistant Secretary of ANDERSON CANAL, INC., a California corporation, hereby certify that at a regular meeting of the Board of Directors of said corporation held July 7, 1952, at which meeting a quorum of the Board of Directors of said corporation was at all times present and acting, the following resolution was duly and regularly adopted by the unanimous vote of all directors present, to wit:

> RESOLVED, that the President or Vice-President and the Secretary or Assistant Secretary of this corporation be and they hereby are authorized to execute and deliver, in the name and on behalf of this corporation, a certain "Agreement for Use of Water Rights", dated as of January 1, 1952, in such form as the officers of the corporation executing the agreement shall approve.

I further certify that said resolution has not been amended, rescinded or superseded and that it is still in full force and effect.

I further certify that at all times since the date of said meeting the offices of President, Vice-President, Secretary and Assistant Secretary of this corporation have been and now are held by the following persons, respectively:

President	-	G. L. Henderson
Vice-President	-	J. W. Voorheis
Secretary	-	Carter H. Breusing
Assistant Secretary	-	D. S. Atwood

IN WITNESS WHEREOF, I have hereunto affixed my signature and the seal of said corporation this 9th day of July, 1952.

D. S. Atwood

D. S. Atwood, Assistant Secretary

CERTIFIED COPY OF RESOLUTION
OF THE BOARD OF DIRECTORS OF
PLUMMET CANAL, INC.

I, D. S. ATWOOD, the Assistant Secretary of PLUMMET CANAL, INC., a California corporation, hereby certify that at a regular meeting of the Board of Directors of said corporation held July 7, 1952, at which meeting a quorum of the Board of Directors of said corporation was at all times present and acting, the following resolution was duly and regularly adopted by the unanimous vote of all directors present, to wit:

> RESOLVED, that the President or Vice-President and the Secretary or Assistant Secretary of this corporation be and they hereby are authorized to execute and deliver, in the name and on behalf of this corporation, a certain "Agreement for Use of Water Rights", dated as of January 1, 1952, in such form as the officers of the corporation executing the agreement shall approve.

I further certify that said resolution has not been amended, rescinded or superseded and that it is still in full force and effect.

I further certify that at all times since the date of said meeting the offices of President, Vice-President, Secretary and Assistant Secretary of this corporation have been and now are held by the following persons, respectively:

President	-	G. L. Henderson
Vice-President	-	J. W. Voorheis
Secretary	-	Carter H. Breusing
Assistant Secretary	-	D. S. Atwood

IN WITNESS WHEREOF, I have hereunto affixed my signature and the seal of said corporation this 9th day of July, 1952.

D. S. Atwood

D. S. Atwood, Assistant Secretary

CERTIFIED COPY OF RESOLUTION
OF THE BOARD OF DIRECTORS OF
JOYCE CANAL, INC.

I, D. S. ATWOOD, the Assistant Secretary of JOYCE CANAL, INC., a California corporation, hereby certify that at a regular meeting of the Board of Directors of said corporation held July 7, 1952, at which meeting a quorum of the Board of Directors of said corporation was at all times present and acting, the following resolution was duly and regularly adopted by the unanimous vote of all directors present, to wit:

> RESOLVED, that the President or Vice-President and the Secretary or Assistant Secretary of this corporation be and they hereby are authorized to execute and deliver, in the name and on behalf of this corporation, a certain "Agreement for Use of Water Rights", dated as of January 1, 1952, in such form as the officers of the corporation executing the agreement shall approve.

I further certify that said resolution has not been amended, rescinded or superseded and that it is still in full force and effect.

I further certify that at all times since the date of said meeting the offices of President, Vice-President, Secretary and Assistant Secretary of this corporation have been and now are held by the following persons, respectively:

President	-	G. L. Henderson
Vice-President	-	J. W. Voorheis
Secretary	-	Carter H. Breusing
Assistant Secretary	-	D. S. Atwood

IN WITNESS WHEREOF, I have hereunto affixed my signature and the seal of said corporation this 9th day of July, 1952.

D. S. Atwood

D. S. Atwood, Assistant Secretary

CERTIFIED COPY OF RESOLUTION
OF THE BOARD OF DIRECTORS OF
PIONEER CANAL, INC.

I, D. S. ATWOOD, the Assistant Secretary of PIONEER CANAL, INC., a California corporation, hereby certify that at a regular meeting of the Board of Directors of said corporation held July 7, 1952, at which meeting a quorum of the Board of Directors of said corporation was at all times present and acting, the following resolution was duly and regularly adopted by the unanimous vote of all directors present, to wit:

> RESOLVED, that the President or Vice-President and the Secretary or Assistant Secretary of this corporation be and they hereby are authorized to execute and deliver, in the name and on behalf of this corporation, a certain "Agreement for Use of Water Rights", dated as of January 1, 1952, in such form as the officers of the corporation executing the agreement shall approve.

I further certify that said resolution has not been amended, rescinded or superseded and that it is still in full force and effect.

I further certify that at all times since the date of said meeting the offices of President, Vice-President, Secretary and Assistant Secretary of this corporation have been and now are held by the following persons, respectively:

President	-	G. L. Henderson
Vice-President	-	J. W. Voorheis
Secretary	-	Carter H. Breusing
Assistant Secretary	-	D. S. Atwood

IN WITNESS WHEREOF, I have hereunto affixed my signature and the seal of said corporation this 9th day of July, 1952.

D. S. Atwood

D. S. Atwood, Assistant Secretary

CERTIFIED COPY OF RESOLUTION
OF THE BOARD OF DIRECTORS OF
IERDO CANAL COMPANY

I, D. S. ATWOOD, the Assistant Secretary of IERDO CANAL COMPANY, a California corporation, hereby certify that at a regular meeting of the Board of Directors of said corporation held July 7, 1952, at which meeting a quorum of the Board of Directors of said corporation was at all times present and acting, the following resolution was duly and regularly adopted by the unanimous vote of all directors present, to wit:

> RESOLVED, that the President or Vice-President and the Secretary or Assistant Secretary of this corporation be and they hereby are authorized to execute and deliver, in the name and on behalf of this corporation, a certain "Agreement for Use of Water Rights", dated as of January 1, 1952, in such form as the officers of the corporation executing the agreement shall approve.

I further certify that said resolution has not been amended, rescinded or superseded and that it is still in full force and effect.

I further certify that at all times since the date of said meeting the offices of President, Vice-President, Secretary and Assistant Secretary of this corporation have been and now are held by the following persons, respectively:

President	-	G. L. Henderson
Vice-President	-	J. W. Voorheis
Secretary	-	Carter H. Breusing
Assistant Secretary	-	D. S. Atwood

IN WITNESS WHEREOF, I have hereunto affixed my signature and the seal of said corporation this 9th day of July, 1952.

D. S. Atwood

D. S. Atwood, Assistant Secretary

CERTIFIED COPY OF RESOLUTION
OF THE BOARD OF DIRECTORS OF
JAMES AND DIXON CANAL, INC.

I, D. S. ATWOOD, the Assistant Secretary of JAMES AND DIXON CANAL, INC., a California corporation, hereby certify that at a regular meeting of the Board of Directors of said corporation held July 7, 1952, at which meeting a quorum of the Board of Directors of said corporation was at all times present and acting, the following resolution was duly and regularly adopted by the unanimous vote of all directors present, to wit:

> RESOLVED, that the President or Vice-President and the Secretary or Assistant Secretary of this corporation be and they hereby are authorized to execute and deliver, in the name and on behalf of this corporation, a certain "Agreement for Use of Water Rights", dated as of January 1, 1952, in such form as the officers of the corporation executing the agreement shall approve.

I further certify that said resolution has not been amended, rescinded or superseded and that it is still in full force and effect.

I further certify that at all times since the date of said meeting the offices of President, Vice-President, Secretary and Assistant Secretary of this corporation have been and now are held by the following persons, respectively:

President	-	G. L. Henderson
Vice-President	-	J. W. Voorheis
Secretary	-	Carter H. Breusing
Assistant Secretary	-	D. S. Atwood

IN WITNESS WHEREOF, I have hereunto affixed my signature and the seal of said corporation this 9th day of July, 1952.

D. S. Atwood

D. S. Atwood, Assistant Secretary

CERTIFIED COPY OF RESOLUTION
OF THE BOARD OF DIRECTORS OF
CENTRAL CANAL COMPANY

I, D. S. ATWOOD, the Assistant Secretary of CENTRAL CANAL COMPANY, a California corporation, hereby certify that at a regular meeting of the Board of Directors of said corporation held July 7, 1952, at which meeting a quorum of the Board of Directors of said corporation was at all times present and acting, the following resolution was duly and regularly adopted by the unanimous vote of all directors present, to wit:

> RESOLVED, that the President or Vice-President and the Secretary or Assistant Secretary of this corporation be and they hereby are authorized to execute and deliver, in the name and on behalf of this corporation, a certain "Agreement for Use of Water Rights", dated as of January 1, 1952, in such form as the officers of the corporation executing the agreement shall approve.

I further certify that said resolution has not been amended, rescinded or superseded and that it is still in full force and effect.

I further certify that at all times since the date of said meeting the offices of President, Vice-President, Secretary and Assistant Secretary of this corporation have been and now are held by the following persons, respectively:

President	-	G. L. Henderson
Vice-President	-	J. W. Voorheis
Secretary	-	Carter H. Breusing
Assistant Secretary	-	D. S. Atwood

IN WITNESS WHEREOF, I have hereunto affixed my signature and the seal of said corporation this 9th day of July, 1952.

D. S. Atwood

D. S. Atwood, Assistant Secretary

CERTIFIED COPY OF RESOLUTION OF THE BOARD OF DIRECTORS OF KERN RIVER CANAL AND IRRIGATING COMPANY

I, D. S. ATWOOD, the Assistant Secretary of KERN RIVER CANAL AND IRRIGATING COMPANY, a California corporation, hereby certify that at a regular meeting of the Board of Directors of said corporation held July 7, 1952, at which meeting a quorum of the Board of Directors of said corporation was at all times present and acting, the following resolution was duly and regularly adopted by the unanimous vote of all directors present, to wit:

> RESOLVED, that the President or Vice-President and the Secretary or Assistant Secretary of this corporation be and they hereby are authorized to execute a certain consent of Kern River Canal and Irrigating Company, referring to and endorsed upon a certain "Agreement for Use of Water Rights", dated as of January 1, 1952, in such form as the officers of the corporation executing the consent shall approve.

I further certify that said resolution has not been amended, rescinded or superseded and that it is still in full force and effect.

I further certify that at all times since the date of said meeting the offices of President, Vice-President, Secretary and Assistant Secretary of this corporation have been and now are held by the following persons, respectively:

President	-	G. L. Henderson
Vice-President	-	J. W. Voorheis
Secretary	-	Carter H. Breusing
Assistant Secretary	-	D. S. Atwood

IN WITNESS WHEREOF, I have hereunto affixed my signature and the seal of said corporation this 9th day of July, 1952.

D. S. Atwood

D. S. Atwood, Assistant Secretary

CERTIFIED COPY OF RESOLUTION OF BOARD OF DIRECTORS OF NORTH KERN WATER STORAGE DISTRICT

I, A. L. Trowbridge, Secretary of North Kern Water Storage District, a water storage district duly constituted under California Law, hereby certify that at an adjourned regular meeting of the Board of Directors of said District held July 9, 1952, at which meeting a quorum of the Board of Directors of said District was at all times present and acting, the following resolution was duly and regularly adopted by the unanimous vote of all directors present, to wit, three directors:

WHEREAS, the following forms of agreements have been submitted to the Board of Directors of the North Kern Water Storage District for approval and for execution, to wit: (1) Agreement for Use of Water Rights, (2) Agreement of Sale of Canals and Other Assets and (3) Agreement of Sale of Flowage Easement;

WHEREAS, the members of the Board of Directors have given due consideration to the forms of the agreements so submitted; and counsel for the North Kern Water Storage District has, in writing by letter dated June 30, 1952, addressed to the Board of Directors, given an opinion "that the agreements are in form for ratification and for execution by the District"; and

WHEREAS, it is for the best interests of the North Kern Water Storage District that said agreements be approved and executed on behalf of the District;

NOW THEREFORE BE IT RESOLVED that the Board of Directors of the North Kern Water Storage District hereby approve each of said agreements and authorize and direct the President and the Secretary of the Board to sign, seal and deliver said agreements as the binding agreements of said District, subject to approval of the State Engineer as provided by the Water Code.

BE IT FURTHER RESOLVED that fully executed copies of each said agreement be delivered to the State Engineer of California for his approval.

I further certify that said resolution has not been amended, rescinded or superseded and that it is still in full force and effect.

I further certify that at all times since the date of said meeting the offices of President, Secretary and Treasurer of this District have been and now are held by the following persons, respectively:

President, H. E. Woodworth;
Secretary and Treasurer, A. L. Trowbridge.

IN WITNESS WHEREOF, I have hereunto affixed my signature and the seal of said District this 9th day of July, 1952.

A. L. Trowbridge

A. L. Trowbridge, Secretary.

(District Seal)

FILED
TULARE COUNTY
SUPERIOR COURT

MAY 13 1999

By: Cynthia Lyon

SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF TULARE

NORTH KERN WATER STORAGE DISTRICT, a California water storage district, Plaintiff, vs. KERN DELTA WATER DISTRICT, a California water district, and DOES 1-3000, Defendants. AND RELATED CROSS-ACTIONS	**CASE NO. 96-172919** **JUDGMENT**

Phase One of the above captioned action came on regularly for trial on July 20, 1998 in Department 6 of the above entitled court, the Honorable Kenneth E. Conn, Judge Presiding, without a jury, and was tried from July 20, 1998 to November 25, 1998.

The court, having heard and considered testimony, documentary evidence and the arguments of counsel, the matter having been submitted for decision, and the court having issued its statement of decision:

IT IS ORDERED, ADJUDGED AND DECREED that judgment on the amended complaint of plaintiff/cross-defendant/cross-complainant North Kern Water Storage District ("North Kern"), the cross-complaint of defendant/cross-complainant Kern Delta Water District ("Kern Delta"), the cross-complaint of cross-defendant/cross-complainant City of Bakersfield ("City"), the cross-complaint of North Kern and the affirmative defenses and answers of Kern Delta, City and North Kern is hereby rendered as set forth in the attached Statement of Decision, which Statement of Decision is incorporated herein by this reference and made a part of this Judgment.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that no party to this action is deemed a prevailing party for the purpose of awarding costs or attorneys' fees. Accordingly, each party shall bear its own costs and attorneys' fees.

DATED: May 13, 1999

THE HONORABLE KENNETH E. CONN
JUDGE OF THE SUPERIOR COURT

EXHIBIT "D"

FILED
TULARE COUNTY
SUPERIOR COURT

MAR 31 1999

Stephen Konishi, Clerk
By:

SUPERIOR COURT OF THE STATE OF CALIFORNIA

IN AND FOR THE COUNTY OF TULARE

North Kern Water Storage District,

Plaintiff,

v.

Kern Delta Water District, et al.

Defendant(s).

And Related Cross-Actions

CASE NO. 96-175919

STATEMENT OF DECISION

Phase One of the above entitled case came regularly on for trial on July 20, 1998 in Department 6 of the above entitled court, the Honorable Kenneth E. Conn, Judge Presiding, without a jury and was tried from July 20, 1998 to November 25, 1998.

Scott K. Kuney and Steven M. Torgiani of the Law Offices of Young Wooldridge and Gregory K. Wilkinson of Best, Best and Krieger appeared as counsel for plaintiff/cross-defendant/cross-complainant North Kern Water Storage District ("North Kern"); Paul A. Vortmann of Hurlbutt, Clevenger, Long, Vortmann & Rauber, Lloyd Hinkelman of Kronick, Moskovitz, Tiedeman & Girard and James A. Worth of McMurtrey and Hartsock appeared as counsel for defendant/cross-complainant Kern Delta Water District ("Kern Delta") ; Colin L. Pearce and Stephanie C. Osler of Hatch and Parent appeared as counsel for cross-defendant/cross-complainant City of Bakersfield ("City").

The parties introduced oral and documentary evidence and the case was argued and submitted for decision. The court, having considered the evidence and heard the arguments of counsel, and

being fully advised, issues the following statement of decision pursuant to California Rule of Court 232.5:

INTRODUCTION

The Kern River is a natural watercourse originating in the Sierra Nevada range in Central California. It drains the second largest watershed in the state. The river emeges from the foothills and discharges into the southern San Joaquin Valley a few miles northeast of Bakersfield. It then flows to the southwest through the city to a point about 20 miles distant where in wet years it turns northwest and flows toward Tulare Lake.

Of all the major rivers of California, the Kern is the most variable from year to year ranging from less than 200,000 acre feet of water to more than 2,500,000 acre feet in the 103 years since 1894. The average annual river flow is over 700,000 acre feet.

Beginning in the 1860's, water of the Kern River began to be diverted for agricultural and domestic uses. As competing demands for water increased, disputes over the right to use the river water ripened into litigation culminating in the notable decision of Lux v. Haggin in 1886.

In order to resolve disputes and avoid a retrial of certain issues as directed by the court, most of the disputants on the river entered into a contract, known thereafter as the Miller-Haggin Agreement which apportioned the rights to the flow of the river between the upstream users and the downstream users.

The agreement established two physical structures designed to implement and record the allocation of water: a measuring device located upstream about where the river left the bluffs, known as the first point of measurement, and a device about twenty miles downstream almost at the location where the river veers northeast, known as the second point of measurement.

Those who held the upstream rights became known as the first point interests and are the predecessors to the parties of this action.

Some few years after Lux v. Haggin, litigation commenced among the first point interests to determine their respective water rights, ending in the trial court decision in Farmers Canal Co. v. Simmons, forever after known as the "Shaw Decree."

The Shaw Decree of 1900 adjudicated the rights of the parties and established a priority of

rights in terms of feet per second of river flow.

The name, date of priority and maximum rate of diversion of the existing water rights administered by each of the parties as of the date of this statement is as follows:

CITY OF BAKERSFIELD:

Kern River Conduit	(As stated in the January 1, 1964 amendment to the Miller-Haggin Agreement.)	
Castro	About 1870	20Cfs
South Fork	January 1, 1870	10.5 Cfs
Beardsley (1st) (70%)	December 2, 1873	60 Cfs
Wilson	August 15, 1874	10 Cfs
McCord (49%)	March 20, 1875	100 Cfs
Calloway (20%)	May 4, 1875	850 Cfs
Railroad (20%)	August 7, 1876	200 Cfs
Beardsley (2nd) (70%)	1882	240 Cfs

KERN DELTA WATER DISTRICT:

Kern Island (1st)	January 1, 1870	300 Cfs
Buena Vista (1st)	July 15, 1870	80 Cfs
Stine	December 15, 1872	150 Cfs
Farmers	April 20, 1873	150 Cfs
Buena Vista (2nd)	October 7, 1878	90 Cfs
Kern Island (2nd)	1888	56 Cfs

NORTH KERN WATER STORAGE DISTRICT:

James (1st)	October 15, 1871	120 Cfs
Anderson (1st)	October 9, 1872	20 Cfs
Meacham	April 15, 1873	30 Cfs
Plunkett	June 1, 1873	40 Cfs
Joyce	June 2, 1873	40 Cfs

Johnson	June 2, 1873	40 Cfs
Pioneer (1st)	August 1, 1873	130 Cfs
Beardsley (1st) (30%)	December 2, 1873	60 Cfs
Anderson (2nd)	March 1874	10 Cfs
James & Dixon	June 1, 1874	40 Cfs
McCaffrey	October 31, 1874	26 Cfs
McCord (51%)	March 20, 1875	100 Cfs
Calloway (80%)	May 4, 1875	850 Cfs
Railroad (80%)	August 7, 1876	200 Cfs
James (2nd)	October 7, 1878	180 Cfs
Pioneer (2nd)	October 7, 1878	170 Cfs
Beardsley (2nd) (30%)	1882	240 Cfs

These water rights have come to be known as "theoretical" or "paper" entitlements.

Over the years a practice developed whereby the owner of a water right having no current demand or desire to divert and use the full entitlement of water would permit the water not diverted to remain in the river for diversion and use by junior rights. This water not diverted became known as "release water" or water released to the river.

During the period from 1954-1976, the predecessors in interest to Kern Delta Water District (Kern Delta) released on average 87,000 acre feet of water to the river each year. During the same period, North Kern Water Storage District (North Kern) diverted and beneficially used on average about 66,000 acre feet of release water per year of which about 63,000 acre feet had its source in water released by Kern Delta's predecessors.

In 1976, Kern Delta acquired its current water rights by means of a purchase from the City of Bakersfield (City) on an "as is" basis. Since that date, Kern Delta has consistently diverted and used Kern River water in greater amounts than that diverted and used by its predecessors.

Central to any understanding of the administration of the Kern River is the concept of "the law of the river." This refers to the body of decrees, agreements, customs and practices that came into existence at a time in the late 1890's and early years of the 20th century when the water rights

of the first point interests were under the ownership or control of the Kern County Land Company or its subsidiaries.

An intricate system of daily, monthly and yearly records of river flow and diversions were diligently kept by the company. The records were continued to be faithfully kept in basically the same format by its successors, Tenneco West, and ultimately by the City. The river flow and the diversions of water accruing to each right is still recorded each day, albeit in a computerized format.

No party has challenged the accuracy of the river flow and diversion records.

Also important to note is the cooperation and consent among the first point holders of the various water rights as to the utilization of release water by the various rights according to their respective priorities, all without any formalized prior communication or acknowledgment or transfer agreements. It is entirely a permissive system administered under the law of the river.

The discussion that follows sets forth the court's more specific findings regarding the issues advanced by the parties.

1. The Nature of the Water Rights Held By Kern Delta and Other First Point Interests

The court is persuaded by the evidence that the water rights acquired by the predecessors of Kern Delta Water District were appropriative in nature. Although the South Fork of the Kern River was a primary water course of the river in the 1850's and early 1860s's, the floods of 1861-1862 and 1867-1868 changed the natural flow of the river to the west, first into Old River and then into the present location of the Kern River.

The findings of Judge Lucian Shaw in Farmers Canal Company v. Simmons confirmed that by 1868 the South Fort had ceased to be a natural water course. The parties to the present action are collaterally estopped from contending otherwise. Even though South Fork was maintained as a means of diverting and carrying water to many of the Kern Island water users, this was by no means a riparian use because the lands were not abutting a natural water course.

The court does not find persuasive the theory that certain of the water rights of first point interests, chiefly the Kern Island right, acquired the status of "contractual water rights" either by reason of the 1870 agreement between Kern Island Irrigating Canal Company and the land holders in Swampland District 111, or the Miller-Haggin agreement of 1888.

First, it is questionable whether there is, in law, such a thing as a "contractual water right." Certainly a water right, whether appropriative, riparian, or prescriptive, may be the subject of a legally enforceable agreement like a myriad of other rights, obligations, goods, lands or services, but this does not adorn the water right with any special vestments other than those spelled out in the contract itself. Merely calling a water right a "contractual" water right does not mean it embodies superior qualities rendering it impervious to challenges based on lack of use, or unreasonable use.

Nothing in the contracts in question are persuasive that any of the first point rights referred to therein were other than appropriative rights either before or after the contracts were entered into and at all times subject to the laws of the State of California pertaining to appropriative water rights from time to time existing.

Specifically, the court is persuaded that the Miller-Haggin agreement by its plain and unambiguous language was intended to and did settle litigation between the two warring factions in the Lux v. Haggin case, the downstream riparian claimants (the second point interests) and the upstream appropriators (the first point interests). By its terms, the agreement specifically avoided any attempt to deal with the various first point water rights other than to confirm that, based on the then traditional recitation of consideration, all water rights or claims among and between the first point interests would remain just as they had been prior to the agreement.

Nothing in the agreement, or its amendments suggested that any water right was transformed into a guaranteed right having attributes of permanence or in any way was insulated from the application of the water law of the State of California.

Moreover, the concept of the guaranteed, paramount though dormant water right, even if intentionally created by the Miller-Haggin Agreement, would have doubtful validity today in view of the doctrine of unreasonable use discussed later in this Statement of Decision.

Later litigation endeavored to apportion the respective rights of the first point interests to the use of Kern River water as amongst themselves. This resulted in the "Shaw Decree" of 1900 in the case of Farmers Canal Company v. Simmons.

The Shaw Decree quantified the various water rights in terms of stream flow and ranked the various rights in order of priority based on the date of each appropriation - a classic method of

allocating appropriative rights. The first priority was given to the Kern Island right to divert and appropriate from the Kern River 300 cubic feet per second through the Kern Island Canal. The decree also provided that the distribution of Kern River water would be administered as provided in the Miller-Haggin agreement.

Although the subject of "release water" was not addressed in the Miller-Haggin Agreement and the Shaw Decree, it became the practice that if any prior right did not or could not use all the water it was entitled to, such remaining water became available to the right next in priority on down the list until the water was either entirely used up or all rights had their demands met and the remainder of the first point water was allowed to pass the second point for use by the downstream interests in accordance with the Miller-Haggin agreement.

2. **The Rights Acquired by Kern Delta**

In 1976, Kern Delta acquired certain rights in Kern River water by entering into an agreement with the City of Bakersfield dated June 15, 1976, whereby the City transferred certain of the water rights it had obtained in a recent agreement with and quitclaim deed from Tenneco West, Inc., the preceding April.

The plain language of the June agreement made it clear that the City transferred to Kern Delta only such rights as it had received by the Tenneco Agreement, "whatever they may be." The court finds no ambiguity. The court is persuaded that the City made no guarantee of any measure or extent of entitlement and specifically provided that the rights transferred were "subject to the legal consequences, if any, of the actual administration of" the agreements, documents and decrees involving the City's predecessors, including the Shaw Decree.

Because Kern Delta could only have acquired what the City had to sell, it is necessary to determine whether and to what extent the paper or theoretical entitlement had been reduced by the time of the 1976 agreement by reason of prior agreements or by an historic failure to use the full extent of the water right.

At the outset, it has been contended that Kern Delta's predecessors never perfected the full amount of its appropriative entitlement by reason of their historic failure to put to beneficial use the water attributed to their rights.

It is the law that an appropriative right cannot be established until it is perfected by beneficially using the water which is the subject of the appropriation.

It appears to be conceded that the full entitlements of Kern Delta's rights were never historically used in the more than half a century prior to Kern Delta's acquisition. The enumeration and prioritization of the various first point rights in the Shaw Decree, however, would seem to obviate a further need to perfect any of the appropriative rights. Any reduction of Kern Delta's rights by reason of non-use are covered by later discussion.

3. **Purchase By North Kern**

It is contended by North Kern that its January 1, 1952, agreement with Kern County Land Company and certain of its subsidiary canal companies transferred to North Kern the right to use, in perpetuity, all water accruing to the water rights described in the agreement. North Kern contends that the agreement should be interpreted to mean that 208,000 acre feet per year, on average accrued to such rights during the 53 year period from 1894-1946, and that it included 67,500 acre-feet of release water. Based on North Kern's 66,100 acre-feet of actual annual use of release water from 1954 to the date of Kern Delta's acquisition in 1976, North Kern contends that the rights acquired by Kern Delta were thus reduced by the amount of release water that Kern Delta's predecessors failed to divert and use.

The evidence fails to persuade the court that North Kern purchased any of the Kern Delta's water rights.

A fair reading of the 1952 agreement discloses no guarantee of any specific quantity of water to North Kern and no identification of any specific amount of release water which might be available to North Kern in future years. It is likewise significant that none of the public utility canal companies that were Kern Delta's predecessors signed the agreement.

Even if it were necessary to go beyond the plain and unambiguous language of the agreement, the surrounding circumstances do not support North Kern's purchase theory. The 1950 Report does not identify any proposed acquisition of any portion of the rights now claimed by Kern Delta. At most it notes that water belonging to other canal companies but not diverted will be available to augment the water supply available to North Kern. Thus, the projected amount of

release water was an expectancy - more of a hope than a guarantee.

Lastly, despite the contention that the public utility canal companies had long since lost their rights to the release water through non-user, it is significant that North kern sought no approval from the Public Utilities Commission for a transfer of the release water as required by Section 851 of the Public Utilities Code. In the court's opinion any purported transfer of a water right claimed by a public utility would be invalid under the terms of that statute.

4. **Forfeiture**

Kern Delta's predecessors held pre-1914 appropriative water rights which were subject to the rule that a failure to make beneficial use of water for a continuous period of five years or more results in a loss, or forfeiture, of those rights not beneficially used. (Smith v. Hawkins (1895) 110 Cal. 122). This rule also existed in rudimentary form in Section 1411 of the Civil Code enacted in 1872 and is now codified in Sections 1240 and 1241 of the Water Code. It appears that the five year period may be any historic period of non-use that is continuous, and not necessarily the period immediately preceding the commencement of the legal action seeking to assert a forfeiture. (Hufford v. Dye (1912) 162 Cal. 147).

A unique aspect of this lawsuit is the undisputed fact that careful river flow and diversion records have been diligently maintained and preserved for more than a century. No party to this lawsuit disputes the accuracy or validity of these records. The interpretation of the data and the legal effect of the records are matters of acute controversy, however.

The evidence is persuasive that Kern Delta's predecessors failed to use beneficially the full extent of their theoretical or paper rights during various periods of five continuous years prior to the 1976 acquisition by Kern Delta.

The fact that the water that was not so used may have been put to beneficial use by holders of other rights does not relieve the forfeiture. Each appropriative right to use of Kern River water has been historically treated as a separate and distinct right, from the Miller-Haggin agreement, through the Shaw Decree, and for a century of recording river flow and diversion records pursuant to the "law of the river." The concept of "a use by one is a use by all" has no basis in law, logic, or historical fact.

The evidence is persuasive that the extent of the forfeiture, considering a 45 year period commencing in 1932, results in a preserved entitlement to Kern Delta of approximately 159,286 acre feet per year on average. The court is further persuaded that the evaluation of preserved entitlement set forth in Exhibit 5142 is an accurate portrayal of water use during the period in question as attributed to each of the rights acquired by Kern Delta. (Attachment A to this Statement of Decision).

How and to which entity the forfeited water right passes is a subject discussed later.

5. **Abandonment**

The court is persuaded that North Kern has failed to prove that Kern Delta or its predecessors abandoned a water right for failure to prove the element of intent.

As previously noted it has been established that from time to time and for various periods Kern Delta and its predecessors failed to use its full paper entitlement. Unlike the law of forfeiture, however, abandonment requires not only non-use of water but also a corresponding intent or purpose that such water be abandoned or given up forever. Such intent may be express or implied. It would be rare indeed for a litigated dispute to have evidence of an express intent to abandon. Instead, almost all cases involved a question of fact whether non-use for a period of time, coupled with other facts and circumstances, establish an implied intent to abandon all or part of a water right.

In the present case, the court finds that the evidence of non-use might well be sufficient to establish abandonment were it not for the presence of other significant circumstances.

Most persuasive is the historical practice, that apparently is unique to the Kern River, of releasing water to the river whenever on any given day the use of such water is surplus to the demand of the entity holding the water right. Such release is accomplished with the full intent that the water so released may be used by the next junior right having a demand for water on that day, but with the acknowledged understanding that the next day is "a new day on the river" when the full right may be taken if there is a demand therefor.

Also persuasive is the volume of evidence showing that Kern Delta and its predecessors on a consistent basis over the years have asserted the Kern Island right to the first 300 cfs of the flow of the Kern River.

Under these circumstances, the court finds that there was no intent to abandon any water right that can be inferred from the evidence of non-use.

6. **Prescription**

The Court is persuaded that North Kern has failed to prove that it has acquired any of the water rights of Kern Delta or its predecessors by prescription for failure to prove the element of adversity.

It has been suggested that the decision in People v. Shirokow (1980) 26 Cal.3d 301, precludes the acquisition of a common law prescriptive right by adverse user after 1913, the date of our present statutes governing appropriation of water rights. Although the language of the opinion would provide persuasive support for such a conclusion, the decision expressly limits the prohibition against asserting post-1913 prescriptive rights to claims against the state. Whether such prescription right could be perfected against a private party was specifically left open.

Numerous decisions allowing post-1913 acquisition of prescriptive rights are thus left in force, e.g. Moore v. Cal. Oregon Power Co. (1943) 22 Cal. 2d 725, and are binding upon this court.

In order to establish a prescriptive right, the claimant must prove a use of the water for a continuous and uninterrupted period of at least five years, such use being open, notorious, adverse and hostile to the owner, and under a claim of right.

The court finds no evidence of adversity in the present case.

The use of release water under the customary procedures of diversion on the Kern River was at all times permissive, as described above. A permissive use, such as that enjoyed by North Kern, could never ripen into a prescriptive right because its use did not substantially interfere with the property right of Kern Delta.

By definition, water "released" by Kern Delta was water in excess of its demand on any given day, and thus considered surplus water.

The adversity element cannot be supplied by reference to Kern Delta's pleadings alleging that release water "was and is within the needs and water demands" of land owners and water users within the boundaries and service areas of Kern Delta. This is, first of all, only an allegation that does not attain the status of a judicial admission, and, second, appears to be supported by evidence

that at least some of the release water could have been put to beneficial use in the area in question had water users not chosen to meet their demands from other sources.

The element of adversity not having been proved, the claim of North Kern for acquisition of a water right by prescription fails.

7. Inverse Condemnation

North Kern asserts liability on the part of Kern Delta on a theory of inverse condemnation in that Kern Delta has diverted wafers it was not entitled to divert in which North Kern held a paramount right to divert.

Inverse condemnation is a loss or injury by an owner of property resulting from an invasion of a property right by a public entity without payment of just compensation. Property of a public agency can be taken by inverse condemnation. (Marin Mun. Water Dist. v. City of Mill Valley (1988) 202 Cal. App. 3d 1161.

There has been evidence presented tending to show that Kern Delta has since its acquisition of Kern River water rights in 1976 diverted more water on average than its predecessors diverted historically. The quantification of such over diversion attempts to balance a number of variables including the annual fluctuation in the flow of the river, the substantially different irrigation water uses in the different seasons and historical differences in water use practices. The average annual over diversions or under diversion were highly variable.

The evidence is persuasive that Kern Delta diverted an aggregate amount of up to 350,000 of acre feet more water from 1977 through 1996 compared to 1966 through 1976.

Where the inverse condemnation analysis breaks down is the failure of the evidence to prove that such over diversion constituted a "taking" of property owned by North Kern.

The court is not persuaded that the evidence supports a conclusion that any over diversion in a given period was at the expense of North Kern in the sense that is actually deprived North Kern of a particular diversion of water that would have been used but for the taking thereof by Kern Delta.

Additionally, to the extent it is contended by North Kern that all or part of the water taken was release water acquired by North Kern through forfeiture, that issue is addressed later in this decision.

For these reasons the court finds that the inverse condemnation claim asserted by North Kern has not been proved.

8. Intervening Public Use

North Kern asserts that it is an intervening public user of the release water in question, thus preserving for itself the right to future use of such water to the exclusion of any claim by Kern Delta.

The doctrine of intervening public use is most often applied as a shield protecting a public entity under certain circumstances from an injunction prohibiting further use of a water right. The doctrine is explained in Miller & Lux v. Enterprise Canal and Land Co. (1915) 169 Cal. 415, as follows:

> "...That where a person has suffered property belonging to him and under his control to be taken and devoted to a public use by one engaged in administering such use, and the matter has gone on so far that the beneficiaries thereof rely on its continuance and adjust their affairs accordingly, such owner having knowledge thereof and making no objection or protest, this conduct will be regarded by the courts as a dedication by such owner of the property to the particular public use, and he cannot thereafter interrupt nor prevent the same, his only remedy being to seek compensation for the property he has thus allowed to be taken..."
>
> Id at 429.

To the extent that Kern Delta may seek to enjoin North Kern from further use of release water taken from Kern Delta and put to public use by North Kern, North Kern could foil the claim for injunctive relief and limit Kern Delta to the remedy of compensatory damages.

Here, however, North Kern attempts to use the doctrine as a sword, asserting that its taking of the release water for public use entitles it to continue the use free from any claim by Kern Delta. This application of the doctrine of intervening public use must fail for several reasons.

First, it is tantamount to the assertion of a prescriptive right and suffers from the same defects as noted above in regard to prescriptive use.

Further, the doctrine does not apply to property already dedicated to public use. (See Wright v. Goleta Water District (1985) 174 Cal. App. 3d 74, 90; Civil Code section 1007).

Here, Kern Delta's predecessors were public utilities and their water rights were dedicated

to a public use long before North Kern came upon the scene.

For these reasons, the court finds that the intervening public use claim asserted by North Kern has not been proved.

9. Unreasonable Use

North Kern asserts that Kern Delta's increased diversions of Kern River water in excess of the historic diversions of its predecessors and its claim to continue such use constitute an unreasonable use of water prohibited by Article X, Section 2 of the California Constitution. North Kern's contention has merit.

Kern Delta's claim to such excess diversions is based upon the theory that its predecessors' water rights set forth in the Miller-Haggin agreement are contractual and are therefore guaranteed and inviolate. Such rights, according to Kern Delta, even though dormant and unused, have absolute priority and are paramount to active appropriate rights of a lower priority such as those held by North Kern.

This stance is contrary to the doctrine of unreasonable use as set forth in the case of In re Waters of Long Valley Creek Stream System (1979) 25 Cal. 3d 339. The court in Long Valley upheld the State Board's determination that an unexercised riparian right may well be given a lower priority than existing appropriative rights. The decision was based upon Article X, Section 2. One of the reasons advanced was a belief that water users suffered too much from the uncertainty created by granting a dormant and unexercised riparian right a higher priority than active appropriations.

The court finds that Article X, Section 2, would likewise foreclose Kern Delta's use of water rights, unexercised for almost a century, under a claim of absolute priority. The uncertainty that rises from such a claim has plagued other water rights holders such as North Kern in the past and would, if upheld, continue to cloud future endeavors.

For these reasons, Kern Delta's use of its water rights to divert Kern River water in excess of historic amounts is precluded.

10. Disposition of Water Rights

The court now turns to the issue of what disposition should be made of the water rights lost by Kern Delta or its predecessors because of forfeiture or unreasonable use.

The issue of whether pre-1914 water rights revert to the state upon forfeiture or revert to junior appropriators appears to be a matter of first impression in California.

In Erickson v. Queen Valley Ranch Co. (1971) 22 Cal. App. 3d 578 the court considered whether a plaintiff had put its pre-1914 appropriative water right to reasonable and beneficial use for a period of five years. In reviewing the law of forfeiture, the court stated:

> Generally, an appropriative water right is forfeited by force of statute and reverts to the public if the appropriator fails to put it to beneficial use during a three-year period. (Wat. Code, section 1240-1241.) Since [plaintiff's] appropriative right had been established before 1914, forfeiture required nonuse for five rather than three years. (Wright v. Best, 19 Cal. 2d 368, 380; 1 Rogers & Nichols, Water for California, pp. 515-516; Hutchins, The California Law of Water Rights, pp. 293-296).

Moreover, the revision of forfeited water back to the public reconciles squarely with the administrative policy of the State Water Resources Control Board (SWRCB):

> Since enactment of the Water Commission Act (effective December 14, 1914), a right to appropriate or use water (other than as a riparian or overlying owner, or appropriator of percolating ground water), cannot be acquired without issuance of a permit (see Watter Code section 1225 and Crane v. Stevinson 5 Cal. 2d 387, 54 P. 2d 1100) ...it is the policy of the Division of Water to disregard a claim to water subject to the permit procedure which is based only upon use initiated subsequent to 1914 unless it is supported by a permit.

(California State Water Resources Control Board, Information Pertaining to Appropriation of Water in California 5 (1990).)

Water Code section 1202(b) and 1201, early California decisions, and SWRCB policy directives, when read in conjunction with the judicial forfeiture doctrine as described in Erickson and Water Code section 1241, establish that pre-1914 appropriative rights which have been forfeited by nonuse revert to the public, and are available for subsequent appropriation only through those procedures set forth in the Water Code for the appropriation of unappropriated water after 1914. (See also People v. Shirokow (1980) 26 Cal. 3d 301; Water Code section 1225.)

After 1914, the statutory procedures set forth at Water Code sections 1200 *et seq.* "became

the exclusive means of acquiring appropriative rights." (Shirokow, 26 Cal. 3d at 308; Wat. Code sections 1201, 1225.) As a result, no party today who wishes to appropriate unappropriated water from surface water sources of the state, such as the Kern River, may do so without filing an "application to appropriate" with the SWRCB. This requires application to the board for a permit to put unappropriated water to beneficial use. (Wat. Code section 1252.)

The SWRCB is the administrative body charged by the legislature with exercising the "adjudicatory and regulatory functions of the state in the field of water resources." (Wat Code section 184.) As such, the SWRCB is responsible for the allocation of appropriative rights in the state. (Littleworth, California Water 43 (1995).) The SWRCB must "consider and act upon all applications for permits to appropriate water," and is authorized to do all things required or proper to act on such applications. (Wat. Code section 1250.) After due consideration of the application, the SWRCB may grant , condition, or deny an application for appropriative use. (United States v SWRCB (1986) 182 Cal. App. 3d 82, 102).

Presently, the waters of the Kern River are "fully appropriated," as that term is defined and has been declared by the SWRCB. (See SWRCB, Declaration of Fully Appropriated Strem Systems, Water Rights Order 89-25 app. A, at 15 (1991).) Until declared to be otherwise by a court or the SWRCB, Kern Delta, and all other Kern River interests, collectively hold all rights in and to the waters of the Kern River.

Because this court has determined that certain of Kern Delta's water rights have been forfeited, this court further finds that the Kern River is no longer fully appropriated and such water is subject to appropriation.

North Kern has cited authority, however, for the proposition that water forfeited by a senior appropriator automatically passes to the next most senior appropriator to the extent necessary to satisfy its needs. The only case authority cited is the Utah decision in Wellsville East Field Irr. Co. v. Lindsay Land & Livestock Co. (1943) 104 Utah 448, 137 P.2d 634. The scenario in that case appears to involve adverse possession. The suggestion that forfeiture does not necessarily require a reversion to the state is dicta and not persuasive authority in the present case.

It is therefore the decision of this court that the portion of water rights of Kern Delta found

to be forfeited shall be deemed unappropriated water and become subject to appropriation pursuant to applicable procedures before the State Water Resources Control Board.

If it is ultimately determined on appeal, however, that this decision is in error on this point, then it is the finding of this court that the water rights so forfeited pass automatically to the next junior water right holder, which in this case is North Kern, and in that event it is the decision of this court that such water rights have vested in North Kern on the effective dates of the forfeitures.

The court has considered other alternative dispositions as discussed below.

11. Equitable Apportionment

The doctrine of equitable apportionment permits a court to largely disregard the strict rules of priority in favor of an allocation that will be fair to all water users. This usually involves a reduction in water rights to fairly distribute the burden of scarcity. (See City of Pasadena v. Alhambra, et al. (1949) 33 Cal. 2d 908).

A physical solution on the other hand is a practical approach seeking to meet the basic needs of competing water users through a mechanical restructuring of the water supply or distribution system. (See City of Lodi v. East Bay Municipal Utility District (1936) 7 Cal. 2d 316).

This court is persuaded that neither of these doctrines are appropriate dispositions in this case. The evidence has shown that no party to this lawsuit is threatened with dire injury or loss regardless of the outcome of this case. It is apparent that the disposition of the disputed water rights herein will have an economic impact, either favorable or unfavorable, upon the various parties hereto, but not to the extent that any party will face drastic consequences. The longstanding practice of diversion and distribution of Kern River water is marked by its acceptance and its utility. Basically, the existing system works well and results in available water being distributed in an orderly and predicable manner and being beneficially used where demands exist.

This court deems it important that the existing system be preserved so far as possible and declines to attempt an equitable apportionment or a physical restructuring of the method of distribution on the Kern River.

12. Public Policy

This court has considered the City's assertion that public policy favors the municipal use of

water over that of agricultural or industrial and that the City has a priority to any forfeited, unappropriated water under Water Code section 106 and 106.5 and based on its future demand for additional water. As persuasive as those arguments may be, this court notes that the City's use of water and its projects have not yet been threatened by the competing claims or uses of the release water herein in dispute and that City's projected reasonable water demands will be met for many decades to come under its existing water rights.

This court is of the opinion that the City's quest for priority upon reappropriation of the forfeited water rights is more properly addressed by the State Water Resources Control Board.

13. **Injunctive Relief**

The court is not persuaded that injunctive relief is appropriate at this time for several reasons. First, it remains to be determined which party or parties will become entitled to the water subject to the forfeited water rights. Second, no party is threatened with such dire losses or unjust consequences that equitable relief is required. Third, under the circumstances of this case, any party ultimately determined to have been deprived of water by reason of an unlawful diversion can be made whole by the remedy at law of money damages.

The court declines to impose injunctive relief as to any party hereto.

However, the court also understands the parties' concerns regarding the future day to day administration of the Kern River. Accordingly, the court anticipates that the administration of the Kern River will continue as it has in the past, in accordance with "the law of the river." The court further anticipates that the Kern River flow and diversion records will continue to be maintained as they have in the past. As indicated previously in this statement of decision, this court finds that under the doctrine of forfeiture Kern Delta has a preserved entitlement of approximately 159,286 acre feet per year, on average. Kern Delta is entitled to take its preserved entitlement by exercising its rights on a daily basis up to the full amount of its "paper" or "theoretical" entitlement on that day, provided that its total utilization does not exceed 159,286 acre feet per year, on average, using the 45 year period of 1932 through 1976 (the time period for calculation of the preserved entitlements). The preserved entitlement represents an average, and not an absolute, rigid cap or ceiling. The court therefore recognizes that Kern Delta may take more or less than 159,286 acre feet of Kern River

water in future years, and that Kern Delta's running average annual diversion amount may fluctuate over the years.

14. City's Eighth Cause of Action

City asserts in its Eighth Cause of Action in its cross-complaint against Kern Delta a claim for damages for breach of contract, asserting that Section 3.2 of the 1976 agreement between those parties was violated. The provisions of that paragraph purport to prohibit the institution of any action or claim regarding water rights against the other party unless necessary for the protection, preservation or defense of the water rights claimed by the instigating party. City contends that Kern Delta's cross-complaint against City breaches this provision.

The Court finds this contention to be without merit for two reasons. First, City has offered no evidence to show that it was not necessary for Kern Delta to make its cross-complaint for the protection of its water rights. Second, the Court finds that the state of the evidence is persuasive that it was necessary to Kern Delta to file a cross-complaint against City in order to protect, preserve and defend its water rights and property interests. City's Eighth Cause of Action of its cross-complaint against Kern Delta has not been proved.

15. Disposition of Causes of Action

The court decides the following surviving causes of action and defenses based on the findings and conclusions above set forth as follows:

Amended Complaint of North Kern

First (Purchase):	Not proved.
Second (Forfeiture):	Proved.
Third (Abandonment):	Not proved.
Fourth (Intervening Public Use):	Not proved.
Fifth (Prescription):	Not proved.
Sixth (Equitable Apportionment):	Not proved.
Seventh (Unreasonable Use):	Proved.
Eighth (Injunction):	Not proved.
Ninth (Declaratory Relief):	Proved.

Tenth (Damages):	Deferred.
Cross-Complaint and Answer of Kern Delta	
First (Quiet Title):	Not proved.
Second (Declaratory Relief):	Proved.
Third (Injunction):	Not proved.
Seventh (Specific Performance):	Not proved.
First through Seventh Affirmative Defenses:	Not proved.
Eighth Affirmative Defense:	Moot.
Ninth through Nineteenth Affirmative Defenses:	Not proved.
Cross-Complaint and Answer of City to Kern Delta's Cross-Complaint	
First (Forfeiture):	Proved.
Third (Quiet Title):	Not proved.
Eighth (Breach of Contract)	Not proved.
Eleventh (Injunction):	Not proved.
Twelfth (Injunction):	Not proved.
First through Thirty-Fifth Affirmative Defenses:	Not proved.
Cross-Complaint of North Kern	
First (Declaratory Relief/City)	Not proved.
Second (Declaratory Relief/City)	Not proved.
Third (Breach of Contract/Kern Delta)	Not proved.
Fourth (Injunction/City)	Not proved.
Fifth (Inverse Condemnation/Kern Delta)	Not proved.
Affirmative Defenses of Kern Delta to North Kern Cross-Complaint	
First thru Forty-Fifth Affirmative Defense:	Not proved.
Affirmative Defenses of City to North Kern Cross-Complaint	
First thru Twenty Sixth Affirmative Defense:	Not proved.
Affirmative Defenses of North Kern to City's Cross-Complaint	
First and Second:	Not proved.

Third:	Proved as heretofore discussed.
Fourth through Twenty-third Affirmative Defenses:	Not proved.

16. Damages

The court finds that no party has established a right to damages against any other party to this action. A further phase of this trial dealing with damages is moot, and a final judgment can appropriately be entered.

17. Costs and Attorney Fees

The Court further finds that no party to this action can be deemed a prevailing party for the purpose of awarding costs or attorney fees. Each of the parties has been successful in establishing one or more causes of action or affirmative defenses; each has been unsuccessful in establishing others. No clear benefit to any party has yet emerged in this action that would make an award of costs or attorney fees required as a matter of right or appropriate as being fair, just and equitable. Accordingly, each party shall bear its own costs and attorney fees.

18. Conclusion

A final judgment shall be entered in accordance with the provisions of this Statement of Decision. Counsel for City is directed to prepare, notice, and submit a proposed judgment in accordance with rules of court.

Dated: March 31, 1999.

KENNETH E. CONN
Judge of the Superior Court

ATTACHMENT A

Preserv[illegible] Entitlements and Average Actual Use of Kern Delta Diversion Rights Based on 45-Year Evaluation Period Extending from 1932 through 1976 (values in acre-feet)

Diversion Right	Kern Island (1st)	Buena Vista (1st)	Stine	Farmers	Buena Vista (2nd)	Kern Island (2nd)	Total
January	1,275	813	1,753	405	28	17	4,291
February	5,609	884	729	779	5	0	8,006
March	13,892	2,576	2,128	2,136	1	4	20,737
April	12,854	1,650	1,818	1,886	148	33	18,389
May	10,520	2,048	2,425	1,658	243	95	16,989
June	14,390	1,918	2,214	957	31	346	19,956
July	18,277	2,154	2,860	3,256	57	405	27,009
August	16,020	2,072	555	374	0	48	19,069
September	9,459	716	329	228	0	0	10,732
October	6,989	673	176	186	0	0	8,024
November	3,122	852	152	259	4	0	4,389
December	362	669	343	294	18	9	1,695
Total	112,769	17,025	15,582	12,418	535	957	159,286

Notes:

1) Monthly values in shaded area determined by forfeiture analysis.
2) All other monthly values determined as average actual use for period 1932 through 1976.

NO. 172919 EX. NO. 5142

(4 PLTF(s) (4 ID (4 EVID
( ) DEFT(s) ( ) ID ( ) EVID
OTHER ( ) ID ( ) EVID
Date:
CLERK OF THE SUPERIOR COURT
By JB Deputy

[redacted]

5142

PROOF OF SERVICE BY MAIL

Case No. 96-172919

I declare that I am employed in the County of Tulare, California. I am over 18 years of age, and not a party to the within entitled action. I am employed at, and my business address is : Room 303, County Civic Center, Visalia, CA 93291. I am readily familiar with the business practice for collection and processing of correspondence for mailing with the United States Postal Service; and in the ordinary course of business, mail is deposited in the United States Postal Service on the same day it is picked up from my office. On this date I served the attached STATEMENT OF DECISION on the parties listed below by placing true copies thereof enclosed in a sealed envelope in the receptacle designated for collection in the office and subsequent mailing, following ordinary business practices, at Visalia, California and addressed as shown below:

Executed this 31st day of March, 1999 at Visalia, California. I declare under penalty of perjury that the foregoing is true and correct.

Clerk of the Superior Court

By: Denise Williams

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Kronick Moskovitz Tiedemann & Girard
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Dooley & Herr
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SUPERIOR COURT OF THE STATE OF CALIFORNIA FOR THE COUNTY OF TULARE

North Kern Water Storage District Plaintiff	)	Visalia, California April 23, 1999
	)	No. 96-172919 Dept. No. 6
	)	Judge, Honorable KENNETH E. CONN
vs	)	Clerk Denise Williams
	)	
Kern Delta Water District Defendant	)	Reporter

NATURE OF HEARING EX PARTE ORDER CORRECTING ERROR IN STATEMENT OF DECISION

It appears to the court that the following provision was inadvertently omitted from the Statement of Decision filed herein on March 31, 1999, and should be inserted at page 21, following line 3:

Affirmative Defenses of North Kern to Kern Delta's Cross-complaint

First and Second:	Not proved.
Third:	Proved as heretofore discussed.
Fourth through Twenty-second Affirmative Defenses:	Not proved.

It is ordered that the Statement of Decision be deemed amended to include the above provisions.

Denise Williams

CLERK

0001387

Case No. 96-172919

PROOF OF SERVICE BY MAIL

I declare that I am employed in the County of Tulare, California. I am over 18 years of age, and not a party to the within-entitled action. I am employed at, and my business address is County Civic Center, Room 201, Visalia California 93291. I am readily familiar with the business practice for collection and processing of correspondence for mailing with the United States Postal Service; and in the ordinary course of business, mail is deposited in the United States Postal Service on the same day it is picked up from my office. On this date I served the attached EX PARTE ORDER CORRECTING ERROR IN STATEMENT OF DECISION on the parties listed below by placing true copies thereof enclosed in a sealed envelope in the receptacle designated for collection in the office and subsequent mailing, following ordinary business practices, at Visalia, California and addressed as shown below:

Executed this 27th day of April, 1999 at Visalia, California. I declare under penalty of perjury that the foregoing is true and correct.

STEPHEN KONISHI,
Clerk of the Superior Court

by Denise Williams, Deputy Clerk

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NOT TO BE PUBLISHED IN THE OFFICIAL REPORTS

IN THE COURT OF APPEAL OF THE STATE OF CALIFORNIA

FIFTH APPELLATE DISTRICT

NORTH KERN WATER STORAGE DISTRICT,

Plaintiff, Cross-defendant, Cross-complainant, Respondent and Appellant,

v.

KERN DELTA WATER DISTRICT,

Defendant, Cross-complainant, Cross-defendant and Appellant;

CITY OF BAKERSFIELD,

Cross-defendant, Cross-complainant and Respondent.

F033370

(Super. Ct. No. 172919)

OPINION

APPEAL from a judgment of the Superior Court of Tulare County. Kenneth E. Conn, Judge.

Law Offices of Young Wooldridge, Ernest A. Conant, Scott K. Kuney and Steven M. Torigiani; Best, Best & Krieger, Gregory K. Wilkinson and Arthur L. Littleworth for Plaintiff, Cross-defendant, Cross-complainant, Respondent and Appellant North Kern Water Storage District.

McMurtrey & Hartsock, Gene R. McMurtrey and James Worth; Smiland & Khachagian, William M. Smiland and Theodore A. Chester, Jr. for Defendant, Cross-complainant, Cross-defendant and Appellant Kern Delta Water District.

Duane, Morris & Hecksscher, Thomas M. Berliner and Colin L. Pearce; Bart J. Thiltgen, Alan D. Daniel and Duane Morris, LLC, for Cross-defendant, Cross-complainant and Respondent City of Bakersfield.

STATEMENT OF THE CASE

Plaintiff and cross-appellant North Kern Water Storage District (North Kern) filed an action against defendant and appellant Kern Delta Water District (Kern Delta)[1] alleging, among other claims, that Kern Delta had lost some portion of the rights it held to Kern River water, which rights had passed to North Kern. The complaint relied upon a number of legal theories, including purchase, forfeiture for nonuse, forfeiture by unreasonable use, abandonment, intervening public use and prescription.

Kern Delta filed a cross-complaint, which named North Kern and respondent City of Bakersfield (Bakersfield) as cross-defendants. The cross-complaint, by a number of legal theories, sought a determination that Kern Delta had lost none of its Kern River water rights and, in the alternative, a determination that Bakersfield was obliged to indemnify Kern Delta to the extent such rights had been lost. Bakersfield filed its own cross-complaint which named Kern Delta and North Kern as cross-defendants and sought, on several legal grounds, a declaration that Kern Delta and North Kern had forfeited some of their Kern River rights. North Kern filed a cross-complaint against Bakersfield and Kern Delta.

Prior to trial, Bakersfield moved for summary adjudication of the fourth, fifth and ninth causes of action (indemnification and breach of contract) of Kern Delta's cross-complaint. The motion was granted.[2]

After a lengthy trial without a jury, the trial court issued its statement of decision. In essence, the trial court found that Kern Delta had forfeited by nonuse a significant

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1 North Kern was formed and has operated as a water storage district pursuant to division 15 of the California Water Code, sections 39000 et. seq. Kern Delta is a public entity and political subdivision formed and existing under the authority of division 13 of the code, sections 34000 et. seq.

2 This order is challenged on appeal by way of two footnotes, Nos. 15 and 48, in Kern Delta's opening brief.

portion of its historic right to Kern River water and that the forfeited water had reverted to nonappropriated status subject to the jurisdiction of the State Water Resources Control Board (SWRCB). The trial court rejected all other claims raised by the parties in their respective pleadings, including North Kern's contention that the water lost by Kern Delta had passed to North Kern as a junior appropriator.

Both Kern Delta and North Kern have appealed, challenging the trial court's decision.

STATEMENT OF FACTS

A. Introduction

The Kern River is a natural watercourse, which originates in the Sierra Nevada mountain range and drains into the southern San Joaquin Valley through a series of forks and sloughs a few miles northeast of Bakersfield. The flow of the Kern River, like most rivers originating in the Sierra Nevada, varies widely from season to season and year to year, ranging from less than 200,000 acre feet of water to more than 2,500,000 acre feet per year (afy). The maximum seasonal flow, derived from melting snows of the Sierra Nevada, occurs in late spring or early summer. The water of the Kern River has been diverted for agricultural use since the early 1860's through a series of canals managed by a number of canal companies. Since the late 1800's, all of the natural flow of the Kern River has been fully appropriated and beneficially used by the canal companies and area landowners. Not surprisingly given the ebb and flow of the river, disputes over water rights have arisen when the water supply runs short. Water shortage is the rule, rather than the exception, on the Kern River, especially during peak irrigation seasons.

The existing rights to Kern River water date back to the 1860's. Kern Delta's primary right was first established in 1870, when one of its predecessors, Kern Island

Irrigation and Canal Company (Kern Island) filed a notice of appropriation.[3] The right is considered a pre-1914 appropriative right because it antedated the 1913 Water Commission Act (WCA), legislation that created a system of statutory appropriative water rights now administered by the SWRCB. Both North Kern and Bakersfield also hold rights to Kern River water which date back to the 1860's and thus also predate the WCA. The administration of these rights among the parties and their predecessors in interest has been accomplished by an intricate, careful system of measurement in effect since 1894 and principally governed by two documents, the Miller-Haggin Agreement (MHA) and the Shaw Decree, which together have formalized the practices and agreements of those who hold appropriative rights to Kern River water.

B. MHA

In the late 1800's, a dispute arose between upstream appropriative users of Kern River water (including the predecessors in interest to all three parties) and downstream riparian right holders. Ultimately at issue was whether the riparian rights were recognized by California law and, if so, whether they were paramount to the appropriative rights. In the historic decision of *Lux v. Haggin* (1886) 69 Cal. 255, the Supreme Court legitimized the riparian rights under California law and found them superior to the appropriative rights *unless* an appropriative right predated the acquisition of the riparian property. The matter was remanded for retrial to determine the age of the rights in question,[4] but, to settle the dispute, the upstream users (known as first point users) and the downstream landowners (known as second point users) entered into the

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[3] Though in this opinion we may use only the name of a party to this appeal, we intend any such reference to include, whenever necessary for historical accuracy, the party's respective predecessor or predecessors in interest, as appropriate.

[4] It appears undisputed that Kern Island's appropriative filing predated the purchase dates of the riparian claimants. Thus, Kern Island's rights were paramount to those held by the riparian downstream users.

MHA on July 28, 1888. All the current uses of Kern River water are subject to the MHA and are limited to those who hold a right specified in the agreement as either a first or second point user.

The MHA requires Kern River water to be measured on a regular basis at two locations, the first at an upstream point then known as the Beardsley Ditch and the second at a downstream point then known as the Joyce Canal.[5] The parties do not dispute that these measurements have been made continuously on a daily basis since the inception of the MHA and are accurate. The agreement also confirmed the apportionment of Kern River water between the first point users and the second point users in accordance with preexisting rights. The MHA thus did not convey or create any water rights; instead, it merely recognized the rights previously held by the parties and apportioned the water between the two groups of litigants. The agreement did, however, recognize that Kern Island had a first priority right to 300 cubic feet per second (cfs) daily and that only after this entitlement had been satisfied did the apportioned rights among the remaining holders, first and second point alike, begin. Specifically, the agreement provided:

> "When the amount of said waters flowing at said First Point of Measurement does not exceed three hundred (300) cubic feet flowing per second, the Kern Island Irrigating Canal Company, one of the parties of the second part [first point users], its successors and assigns, shall be entitled to all thereof.
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> "When the amount of said waters flowing at said First Point of Measurement during said months of *March, April, May, June, July and August [irrigation season or MHA season]* exceeds three hundred (300) cubic feet flowing per second, then of the amount thereof over and in excess of said first three hundred (300) cubic feet per second, the parties of the first part [second point users], their heirs, executors, administrators and assignees, shall be entitled to one-third (1/3), and the parties to the second part [first point users], their heirs, executors, administrators and assignees,

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5 Currently, Bakersfield is responsible for the measurements.

shall be entitled to two-thirds (2/3) .... The water allotted to the [first point users], other than the three hundred (300) cubic feet flowing per second, above specifically allotted to the Kern Island Irrigating Canal Company, ... to be taken out, used and disposed of by them in any manner, at any place and for any purpose they may think proper, or arrange or agree upon among themselves. Said three hundred (300) cubic feet of water flowing per second, so specifically allotted to said Kern Island Irrigating Canal Company, to be by it taken out, used and disposed of in any manner, at any place and for any purpose it may think proper.

"During the months of *January, February, September, October, November and December [off season months]* of each and every year, the Kern Island Irrigation Canal Company, its successors and assigns, as to the first three hundred (300) cubic feet flowing per second, and the parties of the second part [first point users], their heirs, executors, administrators and assigns, as to all over and above said first three hundred (300) cubic feet flowing per second, shall be entitled to all the water flowing in said Kern River at any point above said Second Point of Measurement, and may intercept, divert, take out, use and consume the same in such manner, and at such points and places, and for such purposes, as they may desire. Any and all water to which the parties of the second part [first point users] are entitled hereunder, which shall not have been diverted by the parties of the second part [first point users], their heirs, executors, administrators or assigns, or some of them, before reaching said Second Point of Measurement, shall, upon and after passing said Second Point of Measurement, belong to the parties of the first part [second point users], their heirs, executors, administrators and assigns, to be used and enjoyed by them as the other waters which they shall receive as hereinabove provided." (Emphasis added.)

The agreement further required that the rights held by the parties shall be "diminished so as to make each contribute pro rata to the amount by this Instrument allotted to the [second point users]; and to the said three hundred (300) cubic feet allotted to the Kern Island Irrigating Canal Company."

The MHA has been amended from time to time by the parties and their successors in interest, but the agreement has remained essentially the same.

C. Shaw Decree

A few years after execution of the MHA, again when the available water was not sufficient to meet all the demands of the claimants, a new dispute arose among the first

point users concerning diversions. This dispute also ended in litigation. The first point users sought an injunction against diversions by Kern Island[6] which interfered with the remaining first point appropriative rights.[7]

In 1901, Judge Lucien Shaw issued a decision thereafter known as the "Shaw Decree." The decree reaffirmed the MHA, set a maximum flow available for diversion and appropriation by each first point user, and established an order of priority for diversions among them, including Kern Island. These conditions are sometimes referred to as "theoretical" or "paper" entitlements and apply whenever there is insufficient water to meet the claims of all right holders -- a frequent occurrence. The second point users were not impacted by the Shaw Decree.

The Shaw Decree rested upon the existing historical rights identified in the MHA and confirmed Kern Island's priority to the first 300 cfs of flow.[8] The decree listed each right holder and the specific quantity of water to which the holder was entitled when there is sufficient water to be apportioned.[9] The decree also confirmed that the rights of

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6 Kern Delta now administers the appropriations of Kern Island, Buena Vista, Stine and Farmers. However, it is clear the parties are primarily fighting over the Kern Island rights, which have first priority and provide the measure for all other first point rights.

7 There are 31 historic first point rights or entitlements, which are now held by three entities; all are parties to this action.

8 Kern Island was also awarded an additional 56 cfs entitlement, which had a much later priority, fifteenth of fifteen.

9 The decree states in relevant part: "... the right of each of said plaintiffs to divert and appropriate said waters includes the right to use the same and furnish the same to others to be used ..., but not to suffer the same to be wasted, and that as between themselves, when there is not sufficient water available for all of said plaintiffs, the order of right and priority shall be as follows: [Fifteen separate priorities then follow, including Kern Island's 300 cfs daily (approximately 210,000 afy) and those held by North Kern's predecessors.]"

the first point users are subordinate to Kern Island's 300 cfs priority and to the second point priorities, which had been set by the MHA.

The Shaw Decree noted that the custom on the river had always been to divert only that amount of water required for use by a particular appropriator and to allow the unused water to flow back to the river for use by holders of junior rights, a practice which continued after the decree.[10] The unused water has been traditionally termed "release water," although neither the MHA nor the Shaw Decree contains these words.

Land ownership along the Kern River has changed through the years, but the rights and the obligations identified in the MHA and the Shaw Decree run with the land. The MHA and the Shaw Decree together have governed the river's use for more than a hundred years. The entitlements recorded in the documents are measured daily and the extent of the actual uses vary significantly from day to day, month to month and year to year.[11] The parties have consistently referred to the two documents in light of historical demand, historical use and historical practices when setting policy for administering the river. All river users share the costs of the facilities and operations required to move the

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10 The decree states that the water in dispute (that of the Kern River) was necessary for irrigation, domestic and mechanical purposes, had been used for these purposes when diverted and had not been wasted. Both the Shaw Decree and the MHA appear to accept that the parties who hold rights to water from the Kern River have perfected those rights by reasonable and beneficial use of the water claimed. Both documents frame the issue decided as a dispute upon holders of a perfected right when water is unavailable to satisfy all existing water rights.

11 A "normal" year for the Kern River occurs when flows are between 74 percent and 125 percent of "average." Less than one third of the years are "normal" under this standard.

water along the system. The first point users also share amongst themselves the costs of measuring and reporting.[12]

D. North Kern

North Kern was formed in 1935. In 1950, it undertook to develop its water supply system. As part of this project, North Kern acquired water rights in 1952 from several holders of pre-1914 appropriative rights, some of which were and remain subject to the MHA and the Shaw Decree.[13] North Kern assessed its water supplies based on its paper entitlements as well as upon the historic availability of release water. North Kern then made substantial investments in its water storage and delivery systems. Since 1968, the land within the North Kern district has been fully developed for agricultural purposes.

From 1954 to 1996, North Kern used an average of 167,000 afy of Kern River water, of which 92,000 came from its own paper entitlement[14] and the rest, an average of 66,000 acre feet, from release water of which, 95 percent, or an average of 63,000 acre feet, was from Kern Delta or its predecessors.[15] Obviously, the amount of release water used by North Kern varied substantially from month to month and season to season.

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12 Currently, half the cost of operations and facilities is borne by the first point users and half is borne by the second point users. Reporting costs are divided in thirds -- one-third paid by Kern Delta, one-third by North Kern and one-third by Bakersfield.

13 North Kern holds the following paper entitlements to water under the MHA/Shaw Decree: James (1st), Anderson (1st), Meacham, Plunkett, Joyce, Johnson, Pioneer (1st), Beardsley (1st) (30 percent), Anderson (2d), James & Dixon, McCaffrey, McCord (51 percent), Calloway (80 percent), Railroad (80 percent), James (2d), Pioneer (2d), Beardsley (2d) (30 percent).

14 North Kern has used its full entitlement every year but one. North Kern's use of release water has not caused any problem for Bakersfield, which has sufficient water to meet its current needs.

15 The experts testifying at trial each selected their own time period for purposes of calculating annual averages, excluding or including wet years or dry years or taking other factors into account. Their respective numbers diverged accordingly.

E. Bakersfield

In April of 1976, Bakersfield acquired, from Tenneco West, several of the appropriated water rights identified in the MHA and the Shaw Decree.[16] The Kern River is an important water source for the city. Bakersfield works in close cooperation with the other MHA parties in managing the entitlements, especially in its present role as river administrator.

In June 1976, Bakersfield[17] sold to Kern Delta certain of the Tenneco water rights and canal facilities. The rights conveyed included the Kern Island 300 cfs priority, were transferred by quitclaim deed, and were described as "whatever they may be." Both parties were aware of the history of the river, the historical practices and the governing agreements. Both parties were also aware that the entitlement acquired by Kern Delta historically had not been put to full use. The purchase agreement was made subject to the MHA and Shaw Decree, as well as to other agreements governing the river. The rights were conveyed "subject to the legal consequences, if any, of the actual administration of said agreements, documents and decrees ...." At the time of the sale, Bakersfield knew that North Kern took a substantial portion of the water released by Kern Island and its successors.

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16 The contract between Bakersfield and Tenneco described the Kern Island rights and their relationship to the MHA and the Shaw Decree as follows: "said rights are known and identified by the names used herein, and have certain priority dates, priorities and quantities. Said priority dates, priorities and quantities are more particularly described in the [MHA] of 1888, ... and subsequent amendments thereto and were interpreted in the Shaw decree of 1900 ..., and the acquisition herein of said water rights is intended to include said priority dates, priorities and quantities enumerated in said documents."

17 Bakersfield holds paper entitlements to the following rights: Kern River Conduit, Castro, South Fork, Beardsley (1st) (70 percent), Wilson, McCord (49 percent), Calloway (20 percent), Railroad (20 percent), and Beardsley (2d) (70 percent).

F. Release Water

As both the MHA and the Shaw Decree reflect, each day the use of the river water begins with the Kern Delta, which now holds the former Kern Island entitlement. Kern Delta's decision to either use or release some or all of its entitlement sets the amount available each day for use by junior right holders. The daily amount released by all first point users is governed by the amount of water available in the river[18] and the amount of water requested by more senior right holders, beginning with Kern Delta. Each subsequent user either uses or releases water based on the amount of water available to it and its particular needs for the day. Thus, each subsequent right holder makes its own decisions based on the daily decisions of more senior right holders, subject always to the amount of water provided by the river itself, in accordance with the historical practices.

Release water is not recorded or treated as a transfer or sale to junior right holders. Release water is not ordered and cannot be used until it is relinquished each day by a more senior right holder. Most of Kern Delta's release water is generated during the winter when Kern Delta historically has not had a use for all the available water by reason of low crop demands, the lack of spreading[19] facilities, the significant use of ground water instead of river water for irrigation by farmers in the district, or other factors. Both Kern Delta and North Kern have lesser irrigation needs in the winter, but North Kern has an established spreading practice.

During the period from 1954 to 1976, the predecessors in interest to Kern Delta released an average of 87,000 acre feet of water to the river each year, primarily during the winter months. This use was less than the full MHA entitlement. Ninety percent of

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18 For example, even though Kern Delta's paper entitlement is 300 cfs, the river's natural flow might be less on any given day in any given year.

19 Spreading consists of flooding fallow land with excess water for the purpose of recharging the underlying ground water basin.

all the release water in the river originated with Kern Delta. Although that figure has increased since 1976, Kern Delta currently does not have a demand for more then 200,000 afy on average; this number would be higher if Kern Delta constructed spreading facilities.

After acquiring the water rights from Bakersfield, Kern Delta made public its intention to increase diversions in excess of its historical use. Both Bakersfield and North Kern objected to any diversion beyond Kern Delta's historical use. Despite these objections, and since 1981, Kern Delta has consistently diverted and used more Kern River water than did its predecessors. Kern Delta's expert compared Kern Delta's use with that of its predecessors as follows:

Year	**Actual Entitlement**	**Use**	**Release**
1968-1976 Pre-Kern Delta	250,277 afy	163,370 afy	87,000 afy
1981-1994 Post-Kern Delta	250,498 afy	182,175 afy	68,000 afy

The increase in use necessarily has reduced the amount of release water available to junior right holders. From 1977 to 1996, the period following Kern Delta's acquisition of the rights, approximately 52,000 acre feet of release water was available to North Kern, an amount less than what was available both before 1977 and historically.

G. SWRCB

The SWRCB declared in 1964 that the waters of the Kern River were fully appropriated. (SWRCB decision No. 1196.) As a result, the SWRCB will not consider application for an appropriative right to the waters of the Kern River unless the application is accompanied by a study showing unappropriated waters are available. The decision was reaffirmed in 1989. Anticipating that the trial court might find that some of Kern Delta's rights had been forfeited, the parties petitioned for the appropriation of any

such forfeited water. These applications are currently pending before the SWRCB, which has deferred any action until the conclusion of this litigation.[20]

H. Key Findings of the Trial Court

The trial court made numerous findings in its statement of decision. Many are not challenged by any party on this appeal, such as the trial court's decision that North Kern failed to prove its contentions that Kern Delta had abandoned its rights and that North Kern had acquired a portion of Kern Delta's water right by prescription, inverse condemnation or an intervening public use. Bakersfield has not appealed from the trial court's adverse ruling on Bakersfield's cross-complaint for damages against Kern Delta for breach of contract.

In defining the water rights held by the parties, the trial court found:

> 1. The water rights in question are appropriative rights, not contractual rights. The MHA did not create water rights, but merely confirmed the rights held at the time of the agreement. The agreement also was never intended to and did not remove any right held outside the purview of California water law.
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> 2. The Shaw Decree also did not create any rights, but merely confirmed and allocated the rights already obtained by appropriation. The Shaw Decree eliminated any need to perfect the appropriative rights because it confirmed a given quantity to each right holder.
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> 3. The rights held by the parties are appropriative and not riparian because the South Fork of the Kern River, the watercourse involved in Kern Delta's riparian claim, ceased to be a natural waterway in 1868.
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> 4. North Kern did not purchase any release water in 1952. A fair reading of the 1952 purchase agreement discloses no guarantee of any specific quantity of water.

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[20] Kern Delta has asked this court to take judicial notice of a letter from the SWRCB dated October 8, 1999, which expresses SWRCB's decision to defer action on the petitions while this case is pending. We grant the request.

5. The 1976 Bakersfield/Kern Delta agreement for the sale of water rights was not ambiguous -- Bakersfield only sold the water rights it had "whatever they may be" and the sale was subject to the actual administration of the water under the MHA and the Shaw Decree.

As to the administration of the river, particularly the practice of releasing water to junior appropriators, the trial court found:

1. Kern Delta holds the first priority right, through its predecessor Kern Island, to divert and appropriate from the Kern River 300 cfs daily. The entitlements established by the Shaw Decree are calculated on a daily basis.

2. The historical practice was to release water to the river whenever there was, on any given day, a surplus above the actual demand of the particular right holder, which water was available for use by junior right holders having a demand for the water on that day. All parties understood that the release of any quantity of water on a given day was available on that day only and that each day on the river is a "new" one for purpose of calculating release water.

3. Use of release water was at all times permissive, without formalization, prior communication, acknowledgement or transfer agreement. There existed historically "cooperation and consent" among the first point users with respect to the practice of releasing water and the use of released water.

4. Release water is not addressed directly in either the Shaw Decree or the MHA.

5. The existing system of diversion and distribution works well and results in a predicable distribution system and full beneficial use of all the water available, a state of affairs which should be preserved insofar as possible.

6. During the period 1954-1976, Kern Delta released on average 87,000 afy of water per year. During the same period, North Kern diverted and beneficially used on average 66,000 afy of water, of which 63,000 afy was water released by Kern Delta.

Finally, with respect to forfeiture, the trial court found:

1. Kern Delta's pre-1914 rights were subject to the rule of statutory forfeiture. The five-year period may be any period of continuous historic nonuse and need not be the five-year period immediately preceding the commencement of the legal action seeking to prove forfeiture.

2. Kern Delta has forfeited a portion of its appropriative rights by nonuse for a continuous five-year period based on annual averages over 45 years. Kern Delta has used on average approximately 159,286 afy, which is the extent of its preserved entitlement. The remaining portion of Kern Delta's entitlement has been forfeited through nonuse.

3. Article X, section 2 of the California Constitution (article X, section 2) precludes Kern Delta's use of water rights in excess of historic amounts; to do so would be an unreasonable use because it would harm other water right holders.

4. When an appropriative right is forfeited under the statute, the right reverts to public use. Because a portion of the water rights formerly held by Kern Delta has been forfeited, the Kern River is no longer fully appropriated. That portion of the water, which has become unappropriated, is now subject to appropriation under the applicable procedures and the jurisdiction of the SWRCB.

DISCUSSION

Kern Delta Appeal

I.

Although the record is complex, as are the arguments of the parties, this case for the most part involves competing legal principles, and the critical facts are generally not disputed by the parties. The trial court's statement of decision is detailed and well organized, and separates the court's findings and analysis by the various theories raised by the parties, and the parties in large part do not challenge the trial court's factual findings. North Kern lost all its claims against Kern Delta except for two -- forfeiture for nonuse and a contention under article X, section 2, which prohibits unreasonable use of water resources. Essentially, the trial court found that Kern Delta had not used its full entitlement under the MHA and therefore had forfeited a portion of its rights. Kern Delta contests this determination and disputes the method used by the trial court to measure nonuse.

North Kern and Bakersfield, while agreeing with the trial court that a portion of Kern Delta's rights were forfeited for nonuse, disagree that the forfeited water reverted to

public use. They assert instead that the forfeited water rights reverted to the holders of junior appropriative rights.

II.

A.

It goes without saying that water is one of the most, if not the most, important of this state's natural resources. The history of California water law commenced with the pueblo rights held by owners of the early Spanish land grants.[21] Although all water within the state is the property of the people (Wat. Code, § 102[22]), the right to use water may be acquired and held in a variety of forms, including riparian and appropriative. The right to use water, once acquired, is a vested property right, although it is usufructuary and subject to the limitations established by law. (*United States v. State Water Resources Control Bd.*, *supra*, 182 Cal.App.3d 82.) Article X, section 2[23] (adopted in 1928 as

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21 There are excellent summaries of the history of California water law in two published cases, *United States v. State Water Resources Control Bd.* (1986) 182 Cal.App.3d 82, and *Pleasant Valley Canal Co. v. Borror* (1998) 61 Cal.App.4th 742.

22 All further references are to the Water Code unless otherwise noted.

23 Article X, section 2 (1976 version) provides: "It is hereby declared that because of the conditions prevailing in this State the general welfare requires that the water resources of the State be put to beneficial use to the fullest extent of which they are capable, and that the waste or unreasonable use or unreasonable method of use of water be prevented, and that the conservation of such waters is to be exercised with a view to the reasonable and beneficial use thereof in the interest of the people and for the public welfare. The right to water or to the use or flow of water in or from any natural stream or water course in this State is and shall be limited to such water as shall be reasonably required for the beneficial use to be served, and such right does not and shall not extend to the waste or unreasonable use or unreasonable method of use or unreasonable method of diversion of water. Riparian rights in a stream or water course attach to, but to no more than so much of the flow thereof as may be required or used consistently with this section, for the purposes for which such lands are, or may be made adaptable, in view of such reasonable and beneficial uses; provided, however, that nothing herein contained shall be construed as depriving any riparian owner of the reasonable use of water of the stream to which the owner's land is riparian under reasonable methods of diversion and

former art. 14, § 3) sets the primary limitations upon water rights in the state, as follows: 1) the right to use water is restricted to that amount of water reasonably required for a beneficial use; 2) the right does not extend to the waste of water; and 3) the right does not extend to unreasonable use or unreasonable methods of use or diversion. (*Peabody v. City of Vallejo* (1935) 2 Cal.2d 351, 367.) These principles hold whether the rights are riparian or appropriative. (*Ibid.*, see also *City of Barstow v. Mojave Water Agency* (2000) 23 Cal.4th 1224, 1240.) The courts have consistently found that article X, section 2 is intended to insure the water resources of the state are put to a reasonable use and are made available for the constantly increasing and changing needs of all the state's citizens. (*City of Barstow v. Mojave Water Agency, supra,* at p. 1240; *People ex rel. State Water Resources Control Bd. v. Forni* (1976) 54 Cal.App.3d 743, 751-752.)

By virtue of the constitutional provision, water rights are quantified by the amount of water devoted to a beneficial use and water rights are restricted or reduced by the amount of water not so used. No title or right can be acquired to any amount of water which exceeds that which can be put to a reasonable beneficial use. (*Joerger v. Pacific Gas & Electric Co.* (1929) 207 Cal. 8, 22.) Being usufructuary, water rights cannot be obtained by diversion, by deed, by title, or by contract, nor can they be sustained simply by possession of a license from the SWRCB. Instead, the legal right to use particular water exists only so long as the water is put to a reasonable beneficial use. (*Joslin v. Marin Mun. Water Dist.* (1967) 67 Cal.2d 132, 141 [wasteful use is not beneficial use and thus no legal right to waste water exists]; *Joerger v. Pacific Gas & Electric Co., supra,* at p. 22 [diversion not sufficient to preserve right]; *Southside Imp. Co. v. Burson* (1905) 147 Cal. 401 [contract right to water limited to amount put to beneficial use]; *United States v.*

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any appropriator of water to which the appropriator is lawfully entitled. This section shall be self-executing, and the Legislature may also enact laws in the furtherance of the policy in this section contained."

State Water Resources Control Bd., supra, 182 Cal.App.3d at p. 97 [if license holder fails to put water to beneficial use, license is revoked]; *Big Rock M.W. Co. v. Valyermo Ranch Co.* (1926) 78 Cal.App. 266, 275 [diversion without use confers no right]; *Witherill v. Brehm* (1925) 74 Cal.App. 286, 294 [extent of the user's right is limited, not by the quantity of water diverted or by capacity of the ditch but by the quantity applied for beneficial purposes]; *Simons v. Inyo Cerro Gordo Co.* (1920) 48 Cal.App. 524 [discovery of springs does not convey ownership if not used].) Water rights carry no specific property right in the corpus of the water itself. (*Big Rock M.W. Co. v. Valyermo Ranch Co., supra,* at p. 275.)

B.

The trial court found that Kern Delta's predecessors in interest held appropriative water rights to the first 300 cfs of Kern River water. This finding is supported by the evidence and is not seriously challenged by the parties.[24] The overwhelming weight of

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[24] Kern Delta argues, as it did -- with considerably more conviction -- in the trial court, that its rights are also riparian in nature and thus cannot be lost through nonuse. (See *Fresno Canal & Irrigation Co. v. People's Ditch Co.* (1917) 174 Cal. 441, 450; *Mt. Shasta Power Corp. v. McArthur* (1930) 109 Cal.App. 171, 191.) Even if this was a correct statement of present law, and we are not certain it is (see *Joslin v. Marin Mun. Water Dist. supra,* 67 Cal.2d at p. 134 [riparian rights attach only insofar as the amount of water which can be used consistent with article X, § 2]; *Fell v. M. & T., Incorporated* (1946) 73 Cal.App.2d 692 [constitutional mandate of beneficial use applies to all water "under whatever right the use may be enjoyed"]; *Orange County Water District v. City of Riverside* (1959) 173 Cal.App.2d 137, 184 [riparian users may not lose right by nonuse, but amount not used becomes available for appropriation which becomes a legitimate claim against the riparian right]), the trial court found that any such riparian right had been extinguished prior to Kern Delta ownership because of a change in the watercourse of the South Fork of the Kern River (the watercourse from which Kern Island would have held riparian rights) which occurred in the mid-1800's. When a waterway changes its channel through natural causes, riparian rights are contemporaneously altered. (See *McKissick Cattle Co. v. Alsaga* (1919) 41 Cal.App. 380, 388-389.) Having changed its flow, the Kern River no longer runs contiguous to the former Kern Island land. Only

the evidence established that Kern Delta and its predecessors always considered the rights appropriative and acted consistently. The parties' historical use of water and the administration of the watercourse is the best evidence of their relative water rights. (*Pleasant Valley Canal Co. v. Borror, supra,* 61 Cal.App.4th 742.) The Kern Island rights can be directly traced to the notice of appropriation filed on December 1, 1889. Both the MHA and the Shaw Decree refer to the rights as appropriative.

An appropriative right is the right to use an identified quantity of water, to the exclusion of subsequent right holders, provided the entire quantity is necessary for the beneficial purposes for which it was appropriated; the right holder is entitled to meet all its water needs up to the amount appropriated before any subsequent right holder may take any water from the subject watercourse. (*City of Pasadena v. City of Alhambra* (1949) 33 Cal.2d 908, 926; *Senior v. Anderson* (1900) 130 Cal. 290, 297; *Hoffman v. Stone* (1857) 7 Cal. 46, 49; *Ortman v. Dixon* (1859) 13 Cal. 33, 38; *Butte Canal & Ditch Co. v. Vaughn* (1858) 11 Cal. 143, 153-154; Hutchins, The California Law of Water Rights (1956) pp. 154-157.)

Since 1914, the statutory scheme created by the WCA is the exclusive method of acquiring appropriated rights to water. To secure such a right, an application must be filed with the SWRCB for a permit authorizing construction of the necessary water works and the taking and use of a specified quantity of water. (*United States v. State Water Resources Control Bd., supra,* 182 Cal.App.3d at p. 102.) If the appropriation is not secured by such a permit, the claimant must prove the appropriation was accomplished prior to 1913 and not since lost by prescription, abandonment or forfeiture. (See *Crane v. Stevinson* (1936) 5 Cal.2d 387, 398.)

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land which borders a natural watercourse is endowed with riparian rights. (*Gallatin v. Corning Irr. Co.* (1912) 163 Cal. 405, 416; *Lux v. Haggin, supra,* 69 Cal. at pp. 424-425.)

Here, Kern Delta proved, by its notice of appropriation and by the MHA and the Shaw Decree, that it holds superior appropriative rights to 300 cfs daily of the Kern River water. The core dispute in this case thus focuses upon the second element of the necessary proof -- whether Kern Delta forfeited all or a portion of this right through nonuse.

III.

A.

An appropriative right is neither infinite nor indefinite. An appropriative right cannot be held in perpetuity if the water is not put to a beneficial use. (*Bazet v. Nugget Bar Placers, Inc.* (1931) 211 Cal. 607, 617; *Duckworth v. Watsonville Etc. Co.* (1907) 150 Cal. 520, 531-534.) "[An] appropriator [can] hold, as against one subsequent in right, 'only the maximum quantity of water which he shall have devoted to a beneficial use at some time within the period by which his right would otherwise be barred for nonuser.' (*Smith v. Hawkins* (1898) 120 Cal. 86.)" (*Lindblom v. Round Valley Water Co.* (1918) 178 Cal. 450, 455.)

A water right is forfeited when the holder fails to put the water right to full beneficial use for a period of five consecutive years. (§ 1241, formerly Civ. Code, § 1411 (1872 enactment).) This statute codifies common law. (*Wright v. Best* (1942) 19 Cal.2d 368, 380; *Smith v. Hawkins* (1895) 110 Cal. 86, 122; *Erickson v. Queen Valley Ranch Co.* (1971) 22 Cal.App.3d 578, 582; Hutchins, The California Law of Water Rights, *supra*, pp. 295-296.) Pre-1914 appropriative rights may be lost by nonuse in the same manner as post-1914 appropriative rights. (*Pleasant Valley v. Borror, supra,* 61 Cal.App.4th at p. 754.) The party asserting such a forfeiture bears the burden of proof. (*Ward v. City of Monrovia* (1940) 16 Cal.2d 815, 820.)

The trial court decided that, although Kern Delta initially held the first priority right to divert and appropriate 300 cfs per day from the Kern River, Kern Delta lost a portion of its right through nonuse because "[t]he evidence is persuasive that Kern

Delta's predecessors failed to use beneficially the full extent of their theoretical or paper rights during various periods of five continuous years prior to the 1976 acquisition by Kern Delta." The trial court found that Kern Delta used, on average, only about 159,286 afy, and released, on average, 87,000 afy during several continuous five-year periods between 1954 and 1976, the timeframe selected for measurement. Ultimately, the trial court concluded that Kern Delta forfeited all its right in excess of 159,286 afy.

Kern Delta challenges the trial court's decision on several grounds, including the following:

1. Because the law abhors a forfeiture, the MHA and the Shaw Decree must be read expansively so as to avoid forfeiture, and when so read, both documents preclude North Kern and Bakersfield from asserting any claim to the water released by Kern Delta.

2. North Kern and Bakersfield are estopped from asserting any claim to such water because they failed to raise it in a timely fashion and their predecessors in interest agreed to Kern Delta's release practices.

3. Releasing water under the agreements to other first point users was a beneficial use of Kern Delta's entitlement.

4. The amount of water found to have been forfeited is excessive because the trial court used the wrong period of measurement and the increased diversions after 1976 were not unreasonable.

B.

1. The MHA and The Shaw Decree

Kern Delta does not dispute that, during the 45-year evaluation period, it released on average 87,000 afy for use by junior appropriators.[25] It argues, however, that, by virtue of the MHA and the Shaw Decree, North Kern and Bakersfield, through their predecessors, waived all future claims to released water and, alternatively, are estopped to deny Kern Delta's right to its full MHA entitlement -- 300 cfs daily.

The trial court concluded there was nothing in the MHA which transformed the existing water rights into a "guaranteed right having attributes of permanence" or a right "insulated from the application of the water law of the State of California." The court also questioned whether a guaranteed or paramount, but dormant, water right would be valid under current law, and implicitly found that the Shaw Decree did nothing to foreclose a later claim of forfeiture by North Kern or Bakersfield.

As Kern Delta sees it, its right to 300 cfs daily is inviolate because the MHA established the right for any purpose selected by Kern Delta. Under this theory, Kern Delta is free to waste water or entirely abandon the right for decades and then reassert it to the full extent of the MHA entitlement -- 300 cfs daily. In other words, according to the Kern Delta, the MHA and the Shaw Decree invalidated the legal doctrines of prescription, forfeiture, and abandonment, all of which exist and have always existed to ensure that the limited water resources of this state are fully put to beneficial use.

In the absence of disputed extraneous evidence, which is the case here, the interpretation of a document is a question of law subject to de novo appellate review. (*CBS Broadcasting Inc. v. Superior Court* (2001) 91 Cal.App.4th 892, 906.) In our

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25 It does maintain that this is not an appropriate measurement, a claim we discuss later in this opinion.

estimation, the construction of the MHA and the Shaw Decree advanced by Kern Delta violates public policy and would require this court to declare it null and void. (See *Safeway Stores v. Retail Clerks etc. Assn.* (1953) 41 Cal.2d 567, 574-575 [contracts may be declared violative of public policy when policy is declared in statute or Constitution]; *Kreamer v. Earl* (1891) 91 Cal. 112, 117 [California courts are loathe to enforce contract provisions offensive to public policy]; *Potvin v. Metropolitan Life Ins. Co.* (2000) 22 Cal.4th 1060, 1073 [same]; *Nahrstedt v. Lakeside Village Condominium Assn.* (1994) 8 Cal.4th 361, 381 [same].) When the public policy of this state outweighs the interest in the enforcement of a contract, the courts will not give effect to the offending agreement. (*Cariveau v. Halferty* (2000) 83 Cal.App.4th 126, 133-134.)

We are hard pressed to identify any physical resource in this state more worthy of protection as a matter of enlightened public policy than water; it is simply too precious a commodity to be allowed to be wasted under the auspices of a private contract or otherwise. (See *Joslin v. Marin Mun. Water Dist., supra,* 67 Cal.2d at p. 141; *Joerger v. Pacific Gas & Electric Co., supra.,* 207 Cal. at p. 22 [for this reason, water rights in California are defined and quantified by beneficial use].)

In any event, whether Kern Delta's construction of the documents would conflict with an overriding public policy is an issue we need not get into, because we do not find anything in the MHA or the subsequent Shaw Decree which, expressly or impliedly, evinces an intent to insulate the covered rights from the operation of the laws of water then (or now) in effect in this state. In an absence of such an intent, we must read the documents in conjunction with the water law at the time the contract was made. (See *Miracle Auto Center v. Superior Court* (1998) 68 Cal.App.4th 818, 821 [existing laws become part of an agreement.])

The law in 1888 and 1900, before the Constitution was amended to include the precursor to article X, section 2, defined water rights by reference to beneficial use, as the law does today. Thus, though the documents created a contractual right to assert, among

the disputing claimants, a priority appropriative right to water put to beneficial use, they neither insulated such rights from the operation of general California water law nor gave them eternal life. Accordingly, even though the MHA and the Shaw Decree "confirmed" Kern Delta's 300 cfs daily, the right was at all times thereafter subject to forfeiture through nonuse under the applicable principles of general California water law. (See *Fell v. M. & T., Incorporated, supra,* 73 Cal.App.2d 692.)

The documents also do not reflect a waiver by North Kern or Bakersfield of the right to challenge Kern Delta's retention of its appropriative right.[26] The waiver of a legal right comes about only by the holder's intentional act with knowledge of the facts. (*Roesch v. De Mota* (1944) 24 Cal.2d 563, 572.) Though the Shaw Decree and the MHA may have subsumed the competing claims underlying the lawsuits settled by the documents (see *Wackerman Dairy, Inc. v. Wilson, supra,* 7 F.3d 891, 897), neither instrument is susceptible of being read as an intentional relinquishment in perpetuity by North Kern or Bakersfield of the ability to question Kern Delta's beneficial use of its entitlement.

For the same reasons, neither document operates to estop North Kern or Bakersfield. The doctrine of contractual estoppel is based on the notion that parties who have expressed their mutual assent are bound by the contents of the instrument they have signed and may not later claim that its provisions do not express their intentions or understanding. (See Evid. Code, § 622; *Estate of Wilson* (1976) 64 Cal.App.3d 786, 801-802; *City of Santa Cruz v. Pacific Gas & Electric Co.* (2000) 82 Cal.App.4th 1167, 1176.) North Kern and Bakersfield here do not question the contents of the documents, do not contend the agreements did not express the intentions of the parties at the time,

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26 A water right may be relinquished by contract. (See *Southside Imp. Co. v. Burson, supra,* 147 Cal. at pp. 407-408; *Wackerman Dairy, Inc. v. Wilson* (9th Cir. 1993) 7 F.3d 891, 896-897.)

and do not take positions inconsistent with those taken by their predecessors in interest when the documents were created. North Kern and Bakersfield instead maintain that, under well accepted principles of water law, Kern Delta has, over time, lost all or part of its acknowledged MHA entitlement because it has, for at least one five-year period, failed to put all of its allocation to beneficial use. And, even if there was something in either of the two documents which might be read to preclude any party from challenging another's beneficial use of the contractually confirmed right -- and there is nothing -- we would be reluctant to enforce such a provision for the public policy reasons expressed earlier.

None of the opinions relied upon by Kern Delta are apposite. Each deals with either a contract for the sale of water rights or a deeded transfer of land to which water rights attached and a claim by one party to the sale or transfer that certain additional rights were intended to be included in the deal, situations far from the issues here. (See *Copeland v. Fairview Land Etc. Co.* (1913) 165 Cal. 148; *Duckworth v. Watsonville Etc. Co., supra*, 150 Cal. 520; *Williams v. Laras* (1955) 131 Cal.App.2d 217; *City of Coronado v. City of San Diego* (1941) 48 Cal.App.2d 160; *Crane v. East Side Canal Etc. Co.* (1935) 6 Cal.App.2d 361; *Wackerman Dairy Inc, v. Wilson, supra,* 7 F.3d 891.) A case on point, however, is *Allen v. California Water & Tel. Co.* (1946) 29 Cal.2d 466. In *Allen*, the defendant claimed that the city plaintiff was estopped from objecting to the defendant's pumping and exporting of water from a river basin because the city had entered into an earlier contract, which obligated the defendant's predecessor to develop an independent supply of water for the pumping operation. The court rejected this argument, finding that the recital in the contract between the city and the defendant's predecessor did not contain any representation, express or implied, that the city would not raise available legal objections to the defendant's future activities. (*Id.* at p. 490.) Analytically, this is also the case here.

To conclude, the MHA and the Shaw Decree did not transfer any rights between the parties, and instead resolved existing disputes over acknowledged, preexisting,

competing water rights. Neither document included any explicit or implicit representations about the future actions of any party, nor did either purport to forever insulate the rights from the application of established California law.[27] The trial court therefore did not err when it found that neither the MHA nor the Shaw Decree precluded the current claims of North Kern and Bakersfield.

2. Laches

Kern Delta contends the trial court erred by rejecting Kern Delta's affirmative defense of laches (Civ. Code, § 3527). According to Kern Delta, North Kern and Bakersfield unreasonably waited until 1995, more than 100 years after Kern Delta commenced surplus releases, to bring their actions for forfeiture. North Kern replies that the equitable defense of laches is not available in this action in law and that, in any event, Kern Delta did not prove the elements of the defense. Because we agree with this latter proposition, we will ignore the former.

"The affirmative defense of laches requires unreasonable delay in bringing suit and resulting prejudice to the defendant. [Citation.] Whether laches has occurred in a particular case is primarily a question of fact for the trial court and an appellate court will not interfere with the trial court's decision unless it is obvious a manifest injustice has occurred or the decision lacks substantial support in the evidence. [Citation.]"

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[27] The notion of beneficial use embodied in article X, section 2 anticipates exactly this scenario; increased need and changed circumstances often require a readjustment of historically held water rights. (See *In re Waters of Long Valley Creek Stream System* (1979) 25 Cal.3d 339, 348 [prospective riparian right can be limited by beneficial use doctrine]; *Temescal Water Co. v. Dept. Public Works* (1955) 44 Cal.2d 90, 106 [judicial determination of existing appropriative rights rests on present use which may be quite different at later time]; *Miller & Lux, Inc. v. Bank of America* (1963) 212 Cal.App.2d 719 [owner of recognized superior right cannot prevent use by another of water not needed by holder of superior right]; *Gin S. Chow v. City of Santa Barbara* (1933) 217 Cal. 673 [constitutional amendment's intent is to preserve present and future well-being of state by full beneficial use of water resources].)

(*Transwestern Pipeline Co. v. Monsanto Co.* (1996) 46 Cal.App.4th 502, 506; see also *County of Orange v. Smith* (2002) 96 Cal.App.4th 955, 963; *Piscioneri v. City of Ontario* (2002) 95 Cal.App.4th 1037, 1046 ["The defense of laches is derived from the maxim that '[t]he law helps the vigilant, before those who sleep on their rights.' (Civ. Code, § 3527.)"].)

The trial court made no express findings on the subject. However, implicit in the trial court's judgment is a determination that laches was not proved. Unlike the cases relied upon by Kern Delta,[28] this case does not involve the failure of a party to protect its legal rights or to object to threatening action by another. Prior to 1976, North Kern's and Bakersfield's predecessors in interest, consistent with the practice and agreement of the parties, used whatever release water was made available to them by Kern Delta for nearly a century. This use was permissive, and, because the released water was surplus as to Kern Delta, the use of it by North Kern and Bakersfield did not adversely affect Kern Delta's water needs.

The use also did not pose a threat to North Kern's or Bakersfield's rights until 1976, at the earliest, when Kern Delta sought to increase its own use beyond historical amounts[29] and thereby reduce the release water available downstream.[30] In effect, there

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28 *Miller & Lux v. James* (1919) 180 Cal. 38; *Conaway v. Yolo Water & Power Co.* (1928) 204 Cal. 125, 135; and *Empire West Side Irr. Dist. v. Straford Irrigation Dist.* (1937) 10 Cal.2d 376.

29 When Kern Delta purchased its interests in 1976, the parties believed the first priority entitlement was limited to historical usage. Kern Delta acquired the rights knowing full well the issue would someday have to be resolved, if not consensually then by resort to the courts.

30 There is no evidence that, prior to 1976, Kern Delta's predecessors ever curtailed the release of surplus water normally made available to North Kern. Had there been such evidence, the failure to make an earlier claim might well have supported a laches defense. The claim simply did not exist until 1976 when there was a clash in the rights of the competing right holders. This date becomes important in determining the designation of

was nothing for North Kern or Bakersfield to fight about, and thus nothing for North Kern or Bakersfield to "acquiesce" in, so long as Kern Delta confined its usage within historical patterns. (*Conti v. Board of Civil Service Commissioners* (1969) 1 Cal.3d 351 [defendant asserting laches must show that plaintiff has *acquiesced* in defendant's wrongful acts and has unduly delayed seeking equitable relief to defendant's prejudice].)

After 1976, North Kern and Bakersfield objected to any use by Kern Delta beyond the historical. At first, it appeared that Kern Delta had been convinced not to exceed past usage, but later, when it became apparent that Kern Delta intended to and in fact had increased diversions[31] and decreased release waters, North Kern and Bakersfield commenced negotiations with Kern Delta to attempt to resolve the brewing dispute short of litigation. This action followed immediately upon the breakdown of the settlement talks. The record does not support a conclusion that the lengthy negotiations in this complex matter were unreasonable as a matter of law. (*Transwestern Pipeline Co. v. Monsanto Co.*, *supra*, 46 Cal.App.4th at pp. 521-522.)

The record amply supports the trial court's implicit conclusion that laches was not proved by Kern Delta.

3. Practice of Releasing Water

Kern Delta argues that its historical practice of releasing surplus water to junior appropriators itself precluded forfeiture. Kern Delta's position has several distinct but related components, to wit: 1) the MHA and Shaw Decree addressed the release practice

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the five-year statutory forfeiture period of measurement, as we will discuss in section III., *post.*

31 The point at which North Kern and Bakersfield acquired actual knowledge of Kern Delta's increased use cannot be pegged by simply identifying the particular date when increased diversions began. The amount of water available for release depends upon the flow of the river, which varies considerably from year to year, and increased upstream diversions will be detected only after sufficient time has passed to establish a pattern.

and, therefore, Kern Delta's participation in the practice waived the right to claim a forfeiture; 2) participation in the practice created an implied promise not to claim a forfeiture; 3) the release to junior appropriators who used the water for beneficial purposes[32] must be found to be a "beneficial use" precluding forfeiture because the MHA and Shaw Decrees provided for the practice and constituted a transfer or sale by Kern Delta of the release waters; and 4) the lack of demand for the water, a condition beyond Kern Delta's control, determined the amount of surplus water available for release. The trial court rejected all these theories and concluded that the release of water was equivalent to nonuse, which ultimately amounted to a forfeiture.

The terms of the MHA and the Shaw Decree do not support the implied contract or waiver contentions advanced by Kern Delta. We have been unable to locate any reference, either direct or indirect, to the concept of release water in either document. Instead, the documents merely note the practice as the custom of the parties, but do nothing to establish any independent right or duty with respect to any released water.

Moreover, for the entire time the MHA and the Shaw Decree have existed, the release of surplus water to downstream appropriators has been *required* by the doctrine of beneficial use, and an appropriative user has not been able to retain more than necessary to supply its own requirements. (See *City of Barstow v. Mojave Water Agency, supra,* 23 Cal.4th at p. 1240 [where there is surplus, holder of prior rights may not enjoin its appropriation by others]; *Duckworth v. Watsonville Etc. Co., supra,* 150 Cal. 522 [a prior appropriator may not prevent appropriation or use by others of surplus waters]; *Smith v. O'Hara* (1872) 43 Cal. 371, 375.) Indeed, the principles of prescription, appropriation, forfeiture and abandonment would have little reason to exist in the absence of a demand

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32 There is no dispute that the released water diverted by North Kern and Bakersfield was put to legitimate beneficial uses.

that water be released if not beneficially used, and, by applying these principles in a variety of contexts, the California courts have, for more than a century, confirmed the perfection or loss of rights by reference to beneficial use and to the expectation that surplus water *must* be released to junior claimants. (*Erickson v. Queen Valley Ranch Co., supra*, 22 Cal.App.3d 578 [nonuse may result in forfeiture]; *Thorne v. McKinley Bros.* (1936) 5 Cal.2d 704 [nonuse during certain period of day defines appropriative right]; *Akin v. Spencer* (1937) 21 Cal.App.2d 325 [actual use, not amount diverted, defines right]; *Pleasant Valley Canal Co. v. Borror, supra,* 61 Cal.App.4th 742; *Miller & Lux, Inc. v. Bank of America, supra,* 212 Cal.App.2d 719 [the requirement that surplus water be released assumes that the water cannot be put to beneficial use by the priority right holder]; *Lindblom v. Round Valley Water Co., supra*, 178 Cal. 450 [plaintiff claimed right to water not used by defendant].) Kern Delta's practice of releasing water it could not use therefore cannot be deemed a "beneficial use" by them or others, and we have found no authority to the contrary.

Likewise, we have found no authority which remotely suggests lack of demand as a reason for the alleged nonuse is of any moment in determining whether there has been a forfeiture. The Supreme Court has held exactly the opposite, and decided that a water company's appropriative right was subject to forfeiture despite a declining demand from its customers. (See *Lindblom v. Round Valley Water Co.* (1918) 178 Cal. 450.) This result makes eminent sense under the rule of "use it or lose it" in a state such as California, where water is scarce and a lessened demand by one user is invariably matched with an increased demand by another.

Finally, as the trial court correctly found, the MHA and the Shaw Decree do not treat release water as a sale or transfer to junior appropriators and instead treat each water entitlement as a separate right in descending order of more senior rights. Consistently, the parties meticulously maintained each entitlement as a separate right, even when ownership interests merged, and each entitlement was traced to an independent notice of

appropriation. Each day the watermaster has individually calculated the entitlements and has never categorized or identified the use of release water as a transfer or sale of water to a junior appropriator, temporary or otherwise.

The practices of the parties and the watermaster have been in accord with the law, which mandates that surplus water be released by the senior appropriator. Such releases have never been regarded as a sale, a transfer or a beneficial use. (See *Smith v O'Hara, supra,* 43 Cal. at p. 375; *Hewitt v. Story* (9th Cir. 1894) 64 Fed. 510, 515.) Thus, the released water which exceeded the quantity Kern Delta actually required to satisfy its needs was *nonuse* by Kern Delta and subject to competing claims by junior appropriators. (See *Lindblom v. Round Valley Water Co., supra,* 178 Cal. 450, 455.)

The cases cited by Kern Delta to support the proposition that its release practice constitutes a beneficial use are not persuasive. In *Calkins v. Sorosis Fruit Co.* (1907) 150 Cal. 426, Calkins sold the surplus water to a neighbor and the court found, in the absence of an express contract provision to the contrary, that the competing appropriator could not assert that the sale was not a beneficial use because the appropriation *included* a right to sell surplus water. Neither the MHA nor the Shaw Decree included any equivalent or comparable provision. In addition, in *Calkins,* the court found that the sale did not affect the defendant's appropriation, not the case here.

In *Davis v. Gale* (1867) 32 Cal. 26, the plaintiff failed to fend off the defendant's adverse claim even though the defendant had released water to downstream miners "from time to time." The issue in *Davis* did not involve a claimed forfeiture for nonuse by the defendant, but rather involved the plaintiff's loss of its priority appropriation by virtue of the defendant's prescriptive use. The court's opinion did not address whether a continuous release for the statutory period would have resulted in forfeiture.

Finally, in *East Side Canal & Irrigation Co. v. U. S.* (Ct.Cl. 1948) 76 F. Supp. 836, the trial court found that the plaintiff's custom of holding water as a reserve in the upper reaches of a canal system was a beneficial use precluding forfeiture. The case

obviously did not concern water released to junior users. Interestingly, the opinion supports the trial court's decision here, because the *East Side Canal & Irrigation Co.* court also concluded that any amount not used or held in reserve was lost by forfeiture, despite a contract provision establishing the right in the plaintiff to a given quantity of water.

The trial court did not err in determining that Kern Delta's practice of releasing surplus water, however consistent, did not constitute a beneficial use which precluded its forfeiture.

C.

The controlling law of forfeiture, for both pre- and post-1913 rights, is section 1241 and the interpretive case law. (§ 1241; *Smith v. Hawkins, supra,* 120 Cal. at p. 88; *Erikson v. Queen Val. Ranch Co., supra,* 22 Cal.App.3d 578.)[33] The statute provides:

> "When the person entitled to the use of water fails to use beneficially all or any part of the water claimed by him, for which a right of use has vested, for the purpose for which it was appropriated or adjudicated, *for a period of five years*, such unused water may revert to the public and shall, if reverted, be regarded as unappropriated public water ...." (§ 1241, emphasis added.)[34]

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[33] Kern Delta's challenge to the trial court's finding that Kern Delta's use in excess of historical levels would constitute unreasonable use under article X, section 2, is moot. The trial court's decision rested on its conclusion that article X, section 2 precluded Kern Delta from claiming water rights which had been unexercised for almost a century. There was never any contention made that Kern Delta misused or wasted water, issues found in more conventional challenges to alleged unreasonable uses. Because we will conclude the amount unused by Kern Delta was forfeited, we need not address the constitutional question directly. We have already noted the strong public policy that water in this state be beneficially used.

[34] The law abhors a forfeiture and when a statute calls for the forfeiture of a recognized property interest, it must be given a fair, reasonable construction in order to avoid harsh results. (*Contra Costa Water Co. v. Breed* (1932) 139 Cal. 432, 441, overruled in part on other grounds in *Miller v. McKinnon* (1942) 20 Cal.2d 83, 90.)

The five-year period under section 1241 means five continuous years of nonuse for the purpose for which the water was appropriated. (*Erickson v. Queen Valley Ranch Co., supra,* 22 Cal.App.3d 578.) The amount lost by forfeiture is measured by the amount not continuously used during the statutory period. (See *Smith v. Hawkins, supra,* 120 Cal. at p. 88 [the amount not lost is the *maximum* quantity put to use during statutory period]; *Lindblom v. Round Valley Water Co., supra,* 178 Cal. 450; *Northern California Power Co., Consolidated v. Flood* (1921) 186 Cal. 301.) However, the case law makes clear that the "continuous use" necessary to defeat an alleged forfeiture does not necessarily mean "constant use" (*Irrigated Valleys L. Co. v. Altman* (1922) 57 Cal.App. 413), and the concept of continuous use is directly related to the nature of the initial appropriative use. (*Id.* at p. 429, citing *Hesperia Land & Water Co. v. Rogers* (1890) 83 Cal. 10, 11; see also § 1241.)

The determination of the amount of water required to satisfy an appropriative use is a question of fact to be determined by the trial court (*Gray v. Magee* (1930) 108 Cal.App. 570), as is the determination of the time of use and nonuse and the quantity of use and nonuse (*Erickson v. Queen Valley Ranch Co., supra,* 22 Cal.App.3d at p. 582; *Joerger v. Pacific Gas & Electric Co., supra,* 207 Cal. 8; *Pabst v. Finmand* (1922) 190 Cal. 124; *Mt. Shasta Power Corp. v. McArthur* (1930) 109 Cal.App. 171, 179). The appellate courts review such findings under the substantial evidence rule. (See *Erickson v. Queen Valley Ranch Co., supra,* at p. 582, citing *Chowchilla Farms, Inc. v. Marin* (1933) 219 Cal. 1, 9-10; *Pabst v. Finmand, supra,* 190 Cal. 124, 135.)

The trial court here examined the period from 1942 to 1976 during which Kern Delta did not use its full MHA entitlement. However, the court did not identify any specific five-year timeframe upon which to base its ruling, and rather relied upon, and quantified Kern Delta's annual use during, a 45-year "evaluation" period. The court then decided that Kern Delta retained a "preserved entitlement to ... approximately 159,286

acre feet per year on average," a figure apparently derived from exhibit 5142,[35] which derives its figures from the 45-year "evaluation" period.[36]

We think the trial court erred in two respects. First, we believe it failed to identify an appropriate period for measuring whether there was a statutory forfeiture. Second, we believe the court erred when it measured the amount of water forfeited by Kern Delta using an annual average or annual figure without restricting its decision to more accurately reflect historical use patterns.

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35 Although the parties at oral argument claimed that exhibit 5142 is "incorporated into the judgment by reference," and that it is not based on averages but actual use, we do not find this apparent from the judgment itself or the court's statement of decision. The court does refer to exhibit 5142, but it does not expressly or implicitly incorporate the exhibit into the judgment. It states that "the evaluation of preserved entitlement set forth in Exhibit 5142 is an accurate portrayal of water use during the period in question as attributed to each of the rights acquired by Kern Delta." The exhibit itself is entitled "Preserved Entitlement and Average Actual Use of Kern Delta Diversion Rights Based on 45-Year Evaluation Period." This is a statement pointing to the evidence which supports the court's findings. The exhibit itself uses the words "Average Actual Use." As it currently stands, the judgment identifies the amount of water forfeited as an annual average without regard to daily, monthly or seasonal usage and we find this to be error. If the parties' representation at argument is correct, and this is not the way the 159,286 afy figure was obtained, the error is not so much how the figure was calculated but rather how the judgment is constructed. Either way, remand is required. Furthermore, the figure is unacceptable because it was not extracted from an appropriate five-year period. (See discussion, *post.*)

36 We asked the parties for additional briefing on the issues of measurement and time. We have the discretion to propose and consider questions of law on appeal, especially where all due process considerations have been satisfied. (See, e.g., *Cabrera v. Plager* (1987) 195 Cal.App.3d 606, 611.) "We are at liberty to consider, and even to decide, a case upon any points that its proper disposition may seem to require, whether taken by counsel or not." (*Noguera v. North Monterey County Unified Sch. Dist.* (1980) 106 Cal.App.3d 64, 72, fn. 5.)

1. The Five-Year Period

We hold that the trial court erred in not selecting a specific five-year period, but choosing instead to rely on the 45-year evaluation period. Because section 1241 requires the showing of nonuse for a continuous five years, due process concerns mandate that the relevant period be expressly identified by the trial court, and the failure to do so precludes meaningful review in violation of the 14th Amendment of the United States Constitution. (See *Rupf v. Yan* (2000) 85 Cal.App.4th 411, 419 [due process requires meaningful review]; *Nasir v. Sacramento County Off. of the Dist. Atty.* (1992) 11 Cal.App.4th 976, 986 [forfeiture statutes must afford due process of law and provide both notice and meaningful hearing].)

In addition, although we disagree with Kern Delta that the law limits the five-year period to the exact five years immediately preceding the lawsuit (see *Hufford v. Dye* (1912) 162 Cal. 147; *Witherill v. Brehm, supra,* 74 Cal.App. 286), we do believe the period selected must bear a direct temporal relationship to the time the contrary claim was made. The doctrines of forfeiture, adverse possession, abandonment and prescription are all related (see *Smith v. Hawkins, supra,* 110 Cal. 122) and, without exception, are all evaluated in the context of competing claims of the right to use water. They are not doctrines which are adjudicated in the abstract without the presence of a competing claim. (See *Orange County Water Dist. v. City of Riverside, supra,* 173 Cal.App.2d at p. 184 [although riparian users do not lose their right by nonuse, the amount not used is subject to appropriation which becomes *a legitimate claim* against the rights of the riparian]; *Pabst v. Finmand, supra,* 190 Cal. at pp. 128-129 [prescriptive rights must be obtained *by actual clash of rights*]; *Lindblom v. Round Valley Water Co., supra,* 178 Cal. at p. 452 [doctrine of forfeiture prevents appropriator from diverting and storing amounts over its legitimate needs and *thereby prevent use by others;* appropriator cannot hold amount forfeited *against claim by one subsequent in right*]; *Pleasant Valley Canal Co. v. Borror, supra,* 61 Cal.App.4th at pp. 784-785 [party cannot complain of unlawful

diversion *unless he is injured thereby*].) In this case, for reasons we have already identified in our discussion of the laches doctrine, *ante*, there was no competing claim until 1976 when Kern Delta sought to expand its historical use, which in turn impacted the amount of water it released each day to junior appropriators. Therefore, we believe the appropriate five-year period must be no later than the five years immediately preceding 1976,[37] although the period of measurement can be adjusted for drought years, if there were any, where the nonuse is not the result of a voluntary act of the appropriator but rather the result of a lack of supply. (See *Irrigated Valleys L. Co. v. Altman, supra,* 57 Cal.App. 413.)

Although the cases cited by North Kern in support of their position, *Hufford v. Dye, supra,* 162 Cal. 147, *Erickson v. Queen Valley Ranch, supra,* 22 Cal.App.3d 578 and *Witherill v. Brehm, supra,* 74 Cal.App. 286, base their analysis on more than a five-year historical pattern of use, none of the cases stand for the proposition that the statutory five-year period can be plucked from any point during the period of ownership, even decades prior to the assertion of any adverse claim. *Witherill* is an adverse possession case in which the claimant was seeking to defend a claim previously perfected under the rules of adverse possession. *Hufford* involves a claimant seeking to define a prior claim established by prescription. *Erickson* was a quiet title action looking to define the claim existing at the time a competing claim was made. All three cases looked to the historical patterns of use in order to define the nature of the right held subject to a later claim. This approach represents a proper assessment of the relevant historical evidence. However, none of these cases used historical patterns over an extended period of time to establish

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37 We do not define the exact period of measurement but leave that for the trial court because we recognize there are other issues and evidence relevant to selecting the appropriate time period. Both parties represent that there were tolling agreements and earlier suits and objections arising from the clash of rights. These may well play a role in selecting the appropriate period of measurement.

forfeiture in the absence of a claim. In other words, in each, the court looked back to the prior clash of rights, when both parties were asserting competing claims. It did not allow a current claimant to define and perfect a current claim by means of a reach back to a period when there was no clash of rights. We note the seminal Supreme Court forfeiture case of *Smith v. Hawkins, supra,* 120 Cal. 86, used the five years preceding the action as the appropriate period of measurement.[38]

2. Nonuse

It also appears that the trial court premised its finding upon Kern Delta's *use* (i.e., "approximately 159,286 acre feet per year on average") rather than upon Kern Delta's *nonuse*. In other words, the court turned the fundamental principle of forfeiture on its head. (*Gray v. Magee, supra,* 108 Cal.App. 570; *Orange County Water Dist. v. City of Riverside, supra,* 173 Cal.App.2d at pp. 196-197 [loss of right by nonuse measured by how much is appropriated by others].)[39] The determination about whether there has been a continuous nonuse for purposes of forfeiture (or for the related doctrines of abandonment and adverse possession) requires an assessment of the beneficial use for which the water was appropriated. (See *Montgomery & Mullen L. Co. v. Quimby* (1912) 164 Cal. 250; *Hesperia Land etc. v. Rogers, supra,* 83 Cal. at p. 11; *Witherill v. Brehm,*

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38 The question about when the statutory five-year period commences would appear to be an appropriate issue for the Supreme Court to address, given the ambiguity of the existing authorities on the subject.

39 The measurement must include both quantity and time, since the evidence here suggests both are variables which govern the "law of the river." The task of measuring water use and nonuse for irrigation purposes is complicated because it involves factors not subject to precise human control. (*Pabst v. Finmand, supra,* 190 Cal. 124; *Mt. Shasta Power Corp. v. McArthur, supra,* 109 Cal.App. at p. 179 [quantity of water required for irrigating is governed by the nature of the soil, climatic conditions, and circumstances surrounding the land and crop].) For this reason, there is no uniform rule of usage or nonusage applicable to all cases. (*Joerger v. Pacific Gas & Electric Co., supra,* 207 Cal. 8.)

supra, 74 Cal.App. 286, 294; *Davis v. Gale, supra,* 32 Cal. 27 [with appropriative right, use and nonuse are the tests of the right and must be decided upon facts of case]; see also *City of Barstow v. Mojave Water Agency, supra,* 23 Cal.4th at pp. 1254-1256 [actual measurement of use defines right].) The historical beneficial use is the best evidence of the parties' characterization of the base appropriative right. (See *Pleasant Valley Canal Co. v. Borror, supra,* 61 Cal.App.4th 742.) However, forfeiture is based on nonuse. (§ 1241; see *Gray v. Magee, supra,* 108 Cal.App. 570 [court rejected minimum use finding and instead looked to see what was lost by nonuse].)

The law is unambiguous that what is forfeited is what is actually not used for the entire statutory five-year period, not what exceeds the average use for that period.[40] The distinction is not meaningless pedantry, as the following hypothetical demonstrates. Consider the following fictional average annual usages for a prior appropriator with a 160,000 afy entitlement:

1970 145,000 afy
1971 135,000 afy
1972 125,000 afy
1973 150,000 afy
1974 140,000 afy

The average of these averages is 139,000 afy. Under the "use" approach applied by the trial court, the appropriator would have a "preserved entitlement" in this amount, and thus would have forfeited 21,000 afy (160,000 minus 139,000 afy). Under the "nonuse" approach required by the laws of forfeiture, however, the party has lost only 10,000 afy, which represents the difference between the highest use in the five-year period and the full entitlement. (See *Smith v. Hawkins, supra,* 120 Cal. at p. 88.) The

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40 This analysis is based on our assumption that the judgment means what it says. See footnote 35.

result of this latter, correct approach carries out section 1241's mandate that the amount forfeited is only that part of the right which has not been continuously used for the particular five-year period (§ 1241). In the hypothetical, that amount is 10,000 afy.

The record evidence does not support a conclusion that Kern Delta's predecessors failed to use the entire entitlement during every part of every year within the 45-year evaluation period, even if we agreed this was an appropriate period for measurement, which we do not. To the contrary, there were many instances when Kern Delta's predecessors used the full entitlement *during* certain months of a particular year. For example, in 1959-1961, 1964, 1966, 1968, 1970-1972, 1976, 1979, 1981-1982, Kern Delta's predecessors did not release any surplus water during one or more of the months of June, July and August and a finding of forfeiture for these months in any five-year period that included one of the noted years would be improper. When the nature of the initial beneficial use is linked to a particular time of day, a certain month, or a particular season of the year, the finding of forfeiture must also be thus linked.[41] (*Armstrong v. Payne* (1922) 188 Cal. 585, 600; *Orange County Water District v. City of Riverside, supra,* 173 Cal.App.2d 137, 197.) Consequently, it is possible to forfeit a right to use water for a portion of the year or a certain hour of the day but not for other such periods.[42] (See *Santa Paula Waterworks v. Peralta* (1896) 113 Cal. 38, 44 [forfeiture six

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41 The MHA anticipates that water use will vary from month to month and season to season. The parties concede as much when they distinguish between the "MHA season" and the "non MHA season."

42 This is not to say that North Kern may extract the most favorable portions of a year over a 45-year period to establish forfeiture. At argument North Kern asserted that exhibit 5142 represented the lowest amount of use for January over a five-year period, and the lowest amount of use for February over what may well be a different five-year period. The statute requires that forfeiture be measured during a continuous five-year period. (§ 1240.) And, although forfeiture can be for the entire year or only a part of the year (a designated day, month or time), the period of measure is a single continuous five-

out of seven days a week]; *Scott v. Henry* (1925) 196 Cal. 666 [continuous use for irrigation season]; *Bazet v. Nugget Bar Placers, Inc.* (1931) 211 Cal. 607 [winter/summer]; *Gray v. Magee* (1930) 108 Cal.App.570 [same]; *Garbarino v. Noce* (1919) 181 Cal. 125 [one day in three]; *Haight v. Costanich* (1920) 184 Cal. 426 [two months out of four].)

The amount released by Kern Delta each day is directly dependent on the amount of water available and the demand for irrigation deliveries. An annual average is entirely too simplistic as a measurement of the loss of Kern Delta's vested right. (See *Tulare Irrigation District v. Lindsay-Strathmore Irrigation District* (1935) 3 Cal.3d 489, 569-570.) We will illustrate, with another hypothetical, the law's demand that the amount forfeited be linked to actual need and actual use and that the right lost be quantified by concrete references to actual historical use. Consider the following yearly use pattern for five continuous years by a fictional right holder with a 15,000 acre feet *per month* entitlement:

> January through March - 5,000 acre feet per month
> April through May - 10,000 acre feet per month
> June through August - 15,000 acre feet per month
> September through December - 5,000 acre feet per month

In this scenario, the average monthly use is 8,333 acre feet, far below what was put to beneficial use during April through August of each hypothetical year. If forfeiture is determined by mathematical averages unrelated to this actual use, the party would have its right reduced to 8,333 acre feet per month for every month of every year, even though in reality it used its full entitlement from June through August in every examined year, when it obviously had and satisfied beneficial needs.

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year period. There is no authority for the pick and choose method advanced by North Kern.

While the evidence here may support a finding of continuous nonuse based upon a defined season, month or day,[43] no such finding was made by the trial court, which precludes further meaningful appellate review and, if the judgment was intended to limit the forfeiture to a defined season, month or day, creates an unacceptable ambiguity.[44]

The record suggests the evidence would support a finding based on daily use (the actual measurement under the MHA) or some other larger period of time if it can be linked to the initial need and historical beneficial use. In this connection, many of the reports generated for the parties used monthly averages, which allow for some segregation between on and off-season periods. We are in no position, nor is it our function, to make these determinations of fact, which may require the taking of additional evidence. We simply hold that, because the judgment measures the forfeiture using an annual average it is erroneous as a matter of law, and reversal and remand is required for further appropriate proceedings.

We reiterate that, whatever base measurement period (i.e., day, month, season, etc.) the trial court selects, the choice must have evidentiary support and the nonuse, if any, must be calculated by reference to the maximum quantity beneficially used by Kern Delta for each such period during the five-year span before the 1976 claim by North Kern selected by the trial court as the appropriate period for evaluating whether a forfeiture occurred. (See *Smith v. Hawkins, supra*, 120 Cal. at p. 88; *Tulare Irr. Dist. v. Lindsay-Strathmore Irr. Dist., supra,* 3 Cal.2d 489, 569-570.) The court may consider the effect

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43 The actual calculation of the water ordered, used, and released by right holders is calculated on a daily basis. However, day, month and season measurements are found in the MHA. What is not found is an annual measurement or the use of averages.

44 See *Pabst v. Finmand, supra,* 190 Cal. 124 (failure to limit finding to particular time or season requires inference that finding is based on continuous use for five-year period).

(or lack of effect) of any other factor or variable, beyond the control of Kern Delta and not related to demand, suggested by the record as having some potential relevance to nonuse, such as climate and water supply. (See *Irrigated Valleys Land Co. of Cal. v. Altman, supra,* 57 Cal.App. 413.)

IV.

In two footnotes, Kern Delta challenges the trial court's order, dated June 10, 1998, granting summary adjudication in favor of Bakersfield on the fourth, fifth and ninth causes of action (indemnification and breach of contract claims) of Kern Delta's cross-complaint. Kern Delta's argument on these issues is set out in its footnote 48, which asserts that the court's ruling "denied [Kern Delta] its day in court with respect to the damage issue raised in the fourth, fifth and ninth causes of action of its cross complaint" and was not reduced to a proper, formal order.

First, Kern Delta has waived any objection to the form of the order by failing to raise the issue at the trial court and conceding that the minute order, made in open court, finally disposed of the three causes of action. (*Guardianship of Stephen G.* (1995) 40 Cal.App.4th 1418, 1422.) Secondly, Kern Delta has waived the points for purposes of appeal by its conclusory presentation. An appellate court may treat as waived an issue which, although raised in the brief, is not supported by pertinent or cognizable legal argument or proper citation to authority. (*McGettigan v. Bay Area Rapid Transit Dist.* (1997) 57 Cal.App.4th 1011, 1016, fn. 4; *Landry v. Berryessa Union School Dist.* (1995) 39 Cal.App.4th 691, 699-700 [issue abandoned where supported only by assertion of general legal principles without argument or application to facts on appeal].) It is the appellant's duty to demonstrate affirmatively trial error. (*Reyes v. Kosha* (1998) 65 Cal.App.4th 451, 466, fn. 6.) Kern Delta's general assertion of error, unsupported by specific argument or authority, that it was "denied its day in court" is patently insufficient to raise the issue on this appeal.

Third, Kern Delta has waived the issue for purposes of appeal by its abbreviated footnote treatment. (See Cal. Rules of Court, rule 15(a) [each argument must be stated under separate headings in the briefs]; *In re Keisha T.* (1995) 38 Cal.App.4th 220, 237, fn. 7 ["We interpret this casual treatment as reflecting [the appellant's] lack of reliance on this argument"].)

North Kern Cross-Appeal

The trial court determined that the portion of the rights forfeited by Kern Delta had reverted to the public. Alternatively, the trial court found that the forfeited rights passed to North Kern, a junior appropriator. Not surprisingly, North Kern now challenges the trial court's first conclusion and contends the court's alternate conclusion is the correct one.

All parties agree that none of the water of the Kern River is subject to an appropriative SWRCB permit. Therefore, in order to secure the right to any water forfeited by Kern Delta, North Kern was required to prove that its claim was perfected before 1914.[45] However, our resolution of Kern Delta's appeal effectively moots the issue because the lack of a sustainable finding that Kern Delta forfeited any of its rights means, obviously, that there are yet no forfeited rights to which North Kern may have succeeded. (See *Dannenbrink v. Burger* (1913) 23 Cal.App. 587, 594 [once the amount

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[45] As we said earlier, one who lacks a permit and who claims a right to appropriative water in this state must prove the appropriation was made prior to 1913 and not thereafter lost by prescription, abandonment or forfeiture. (See *Crane v. Stevinson, supra,* 5 Cal.2d at p. 398.) Since 1914, all appropriations of water in California must be approved by the SWRCB. (§§ 1201, 1225, 1252.) The claimant for a permit must submit an application to the SWRCB which sets forth, among other items, "[t]he nature and amount of the proposed use" (§ 1260, subd. (c)) and "[t]he place where it is intended to use the water." (*Id.*, subd. (f); *County of Del Norte v. City of Crescent City* (1999) 71 Cal.App.4th 965, 976.)

forfeited has been quantified, the claimant may prove up a subsequent appropriation of the same].) The issue must therefor be addressed on remand, if necessary.

We do, however, offer some observations which may be relevant on remand. First, the MHA and the Shaw Decree, which quantify North Kern's and Kern Delta's respective entitlements, do not appear to support a claim by North Kern to any of Kern Delta's rights because neither document evidences a pre-1914 appropriative claim to an increased entitlement by North Kern. Though under the documents North Kern's entitlements are "junior" to Kern Delta's when there is insufficient water in the river to satisfy both parties' entitlements, a finding on remand that Kern Delta has forfeited some portion of its entitlement will not necessarily result in the enhancement, by an equivalent amount, of North Kern's rights. It only will mean that, when water is scarce, there is an increased likelihood that North Kern's entitlement will be satisfied because Kern Delta's claim will have been reduced. North Kern will gain an increase in its entitlement only if it proves a pre-1914 appropriation. (See *Wellsville East Field Irr. Co. v. Lindsay Land & Livestock Co.* (1943) 104 Utah 448, 462, 137 P.2d 634 [where water is scarce and existing junior appropriators, whether under permit or common law, claim more water than is ordinarily available, the forfeited water will actually feed the *existing* entitlements of the junior appropriators, a practical result not equivalent to the expansion of the existing junior entitlements].) Any pre-1914 appropriation by North Kern must be defined by the actual quantity of water forfeited and the actual quantity of water subsequently put to beneficial use.[46] (*City of Barstow v. Mojave Water Agency, supra,* 23 Cal.4th at p. 1241.)

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46 It would appear from the position taken by North Kern at trial, and the records of water use before us, that a pre-1914 appropriation of any water forfeited would be less

Second, the trial court determined there was no prescriptive use by North Kern or abandonment by Kern Delta, findings which have not been challenged on this appeal. (See *Dogherty v. Creary* (1866) 30 Cal. 290 [abandoned water right subject to subsequent appropriation]; *Gallagher v. Montecito Valley Water Co.* (1894) 101 Cal. 242 [right acquired by prescription]; *Lindblom v. Round Valley Water Co.* (1918) 178 Cal.450 [nonuser forfeits water rights which become available to subsequent appropriator].) Thus, the only remaining possibility is that Kern Delta's predecessors in interest forfeited a portion of their rights prior to 1914, which were to some extent subsequently appropriated by North Kern's predecessors prior to 1914. (See *Smith v. O'Hara* (1872) 43 Cal. 371.)

Third, if North Kern is unable to prove a pre-1914 appropriation, its claim, like any other post-1914 claim, will be subject to the statutory mandates because the clear intent of the WCA is to provide for the uniform administration of California's water resources. (Art. X, § 2; § 1201; *Peabody v. City of Vallejo* (1935) 2 Cal.2d 351, 367-368.) Thus, the pre-1914 nature of Kern Delta's right does not preclude application of the WCA if that right is found to have been lost *after* 1914. We find no authority to support North Kern's position that, once established, a pre-1914 appropriation is subject to future management outside the statutory scheme. Though certain constitutional provisions restrict a state from altering or extinguishing an existing property interest,

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than the amount of water now claimed by North Kern. North Kern's predecessors, like those of Kern Delta, did not practice winter ground water recharge. Therefore, the increased need for water for this purpose, occurring in the middle of the 20th century, could not be part of any pre-1914 appropriation. (*Armstrong v. Payne, supra,* 188 Cal. at p. 600 [an appropriation of water has always been defined by the amount used].) An appropriation cannot be *expanded* except by a new appropriation. (*Pleasant Valley Canal Co. v. Borror, supra,* 61 Cal.App.4th at p. 753.)

such as a preexisting water right (see *Fall River Valley Irr. Dist. v. Mt. Shasta Power Corp* (1927) 202 Cal. 56, 68), there appears to be no barrier to the application of a statutory scheme if the preexisting right is legitimately extinguished by operation of common law principles. This result is particularly compelling when strong public policy considerations make a strong case for statewide uniform management of an essential resource such as California water.

On this subject, there is no doubt about the public policy of the state. The SWRCB has exclusive jurisdiction over appropriative claims made after 1914. (§§ 1201, 1202, 1225, 1250; *Pleasant Valley Canal Co. v. Borror, supra,* 61 Cal.App.4th at p. 754; *United States v. State Water Resources Control Board* (1986) 182 Cal.App.3d 82, 102.) After 1914, a claimant may not establish an appropriative right merely by use. (§§ 1225, 1201, see *People of State of Cal. v. United States* (9th Cir. 1956) 235 F.2d. 647.) Water forfeited reverts to the public and becomes available for appropriation by others[47] through the permit procedures. (§ 1241.) This furthers the Legislature's aim of "foster[ing] the most reasonable and beneficial uses of the state's scarce water resources. [Citation]." (*Pleasant Valley Canal Co. v. Borror, supra,* 61 Cal.App.4th at p. 754; see also *National Audubon Soc. v. Superior Court* (1983) 33 Cal.3d 419, 447 [legislative intent is to grant SWRCB broad expansive authority to undertake comprehensive planning and allocation of water resources].)

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[47] The language of the statute which requires a finding of the SWRCB and notice to the parties, is intended to provide procedural guidelines to be followed before forfeiture when the SWRCB is the agency determining whether forfeiture has occurred. (See 12 Pacific L.J. 526, 527.) In this case, the competing rights of the parties were fully litigated and full procedural protection was afforded.

Fourth, while we have been unable to uncover any authority for the proposition that a forfeited pre-1914 entitlement reverts to the public, this subject is not now before us. The irreducible issue raised by North Kern's appeal is whether any amount forfeited by Kern Delta *has been appropriated as a matter of law by North Kern*, but this issue is not ripe for decision given our disposition of Kern Delta's appeal. On the other hand, if on remand North Kern cannot prove its entitlement to any water found to have been forfeited by Kern Delta, whether the water has instead become a part of the public domain would seem to be irrelevant to the interests of North Kern, at least in this action.

Other Issues

The remaining issues raised by the parties, whether on the appeal or on the cross-appeal, are moot. Resolution of all such issues first requires the resolution of the issue whether Kern Delta forfeited some portion of its rights by nonuse and if so the quantification of the amount forfeited.

DISPOSITION

The judgment is reversed. The case is remanded for retrial of:

(1) the question whether Kern Delta forfeited by nonuse any part of its MHA entitlement of 300 cfs per day, based upon a measurement (day, month, season, etc.), a specific five-year period, and a consideration of all other relevant factors disclosed by the evidence; and

(2) all other issues (1) expressly raised by the parties on this appeal but (2) not resolved by this opinion and not found in this opinion to have been waived or abandoned for purposes of this appeal, and (3) put in controversy by reason of the trial court's determination of the issues described in (1) above.

The parties are not limited on retrial under this remand to the evidence introduced during the previous proceeding, and may offer whatever additional evidence they desire to have admitted, subject to the trial court's rulings on the admissibility of such evidence.

Each party shall bear its own costs on this appeal.

Dibiaso, J.

WE CONCUR:

Ardaiz, P.J.

Levy, J.

IN THE COURT OF APPEAL OF THE STATE OF CALIFORNIA

FIFTH APPELLATE DISTRICT

NORTH KERN WATER STORAGE DISTRICT,

Plaintiff, Cross-defendant, Cross-complainant, Respondent and Appellant,

v.

KERN DELTA WATER DISTRICT,

Defendant, Cross-complainant, Cross-defendant and Appellant;

CITY OF BAKERSFIELD,

Cross-defendant, Cross-complainant and Respondent.

F033370

(Super. Ct. No. 172919)

ORDER MODIFYING OPINION AND DENYING PETITIONS FOR REHEARING [NO CHANGE IN JUDGMENT]

I.

The opinion filed in the above entitled action on January 31, 2003, is modified as follows:

1. The following sentence is added to footnote 6 on page 7:

"Nonetheless, by limiting our discussion to the Kern Island rights, we do not mean that any amount forfeited is correspondingly limited to Kern Island rights. Any amount forfeited may well include portions of Kern Delta's other appropriations."

2. The following sentence is added to footnote 33 on page 32, after the sentence which ends with the words "alleged unreasonable uses," and before the sentence that begins with the words "Because we will:"

"On these facts, article X, section 2 does not provide an independent ground for affirming the judgment."

3. The last paragraph of page 33 of the opinion is modified to read "1932 to 1976" in place of "1942 to 1976."

4. On page 47, in paragraph (1) of the disposition, the words "MHA entitlement of 300 cfs per day" are deleted and the words "paper entitlements" are put in their place so that the paragraph reads as follows:

> "(1) the question whether Kern Delta forfeited by nonuse any part of its paper entitlements, based upon a measurement (day, month, season, etc.), a specific five-year period, and a consideration of all other relevant factors disclosed by the evidence; and"

5. There is no change in judgment.

II.

North Kern's petition for rehearing is denied.

Other than the few matters addressed by the modifications described above in section I of this Order, North Kern's petition for rehearing is nothing more than the expression of North Kern's obvious indignation that this court had the chutzpah to disagree with most of the contentions raised by North Kern on this appeal. We also point out that California Rules of Court, rule 25 [Rehearing], is not an invitation to edit the opinions of the Courts of Appeal. (See *Lewis v. Superior Court* (1999) 19 Cal.4th 1232, 1263 ["[A]n opinion is not a brief in reply to counsel's arguments. . . . In order to state the reasons, grounds, or principles upon which a decision is based, the court need not discuss every case or fact raised by counsel in support of the parties' positions"]; *People v. Garcia* (2002) 97 Cal.App.4th 847, 853-854.)

III.

Kern Delta's petition for rehearing is denied.

The court did not decide this case on public policy grounds. The opinion states only that, even if the Miller-Haggin Agreement and the Shaw Decree supported Kern

Delta's contention that its rights were not subject to California law governing forfeiture and unreasonable use, the court would be compelled to reject this argument on public policy grounds. Moreover, the parties extensively briefed the public policies of this state with respect to water and water rights.

Dibiaso, P.J.

WE CONCUR:

Ardaiz, P.J.

Levy, J.