POLITICS & POLICY

The Water Wars Have Come to East Texas

Inside the ongoing battle for the state's most precious resource.

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I'm riding shotgun in his battle-tested Chevy Suburban, an actual shotgun rubbing against my left leg, when Bob Sanders tells me that it was water that drew him to this land—1,100 acres along 2.6 miles of the Big Cypress Bayou, near the Louisiana border. He moved here three decades ago with his wife, Kimmie, and their young son Dustin, guided by an understanding, commonly held among cattlemen, that if you wanted to run a herd, you needed to find water. "In my younger days, ranching was just an excuse to ride a horse," he says. These days, ranching this land is his livelihood. Because of its river frontage and 75-acre oxbow lake, you'd be hard-pressed to find a wetter patch in Texas.

Looking out the windshield past spent .22 casings on the dash, we can see cattle egrets wandering among a scattered herd of reddish-brown cows grazing over a bright green knoll that slopes gently toward the river. Dustin, now 34, is in the back seat consulting his notes on the Red Angus and Red Wagyu cattle we pass. After growing up here, Dustin went off to college, worked construction, and got married before moving back a few years ago. Bob and Kimmie live in a low-slung farmhouse beneath sturdy oak trees and towering pines. Dustin, his wife, Heather, and their three kids live in a modular home perched on a rise a stone's throw away. Three generations of Sanderses make the **Cypress River Ranch** their home. Bob hopes that'll be true for generations to come.

But recent threats to the once abundant water supply that drew him here have put that future in question. When Bob heard in January that the municipal water district had quietly entered into discussions to sell water from Lake O' the Pines, a reservoir just upstream from their ranch, to the thirsty Dallas–Fort Worth Metroplex, he joined forces with a hastily assembled alliance of locals to fight the deal at every turn. He found that similar efforts were happening all across East Texas, as coalitions of landowners sprouted up to fight the exportation of their surface water and groundwater to drier regions of the state to the west. Sanders is helping to lead the fight, while taking advantage of innovative conservation strategies on his own property. But there are other landowners, equally innovative and with much deeper pockets, who stand to turn a hefty profit from water sales

and who argue that the state's impending water crisis can't be solved without tapping into relatively abundant East Texas aquifers and reservoirs. Over and over, conflicting notions of who owns the state's water have given rise to questions like: How do we meet the needs of a state that is growing simultaneously drier and more populous? And should water, like oil, be treated as a commodity sold to the highest bidder and squirreled away by the savviest investors? Or, because every living thing needs it to survive, should it be protected from market forces?

Some two hours southwest of the Sanderses' ranch, a herd of Red Angus cattle flick their tails and moo as they graze over a wide-open pasture on Redtown Ranch, a 7,249-acre East Texas property that winds along the Trinity River in Anderson and Houston counties. Kyle Bass owns this land through his company, Conservation Equity Management. Bass is not a cattleman per se—he runs a Dallas-based hedge fund and built a reputation as a diviner of financial markets by making bold bets on the U.S. housing bubble and Chinese economic policy—but he does spend a considerable amount of time at his ranch. Like Bob Sanders, Bass is animated by conservation strategies that he views as both good for the land and good for his bottom line. Also like Sanders, Bass has attended several local water-district meetings. That's where their paths diverge.

Bass sees great potential in exporting water from East Texas to drier and faster-growing regions that are in increasingly greater need of it. On a Thursday in July, Bass and his business partner, Terry Anderson, drove me around Redtown Ranch in the company's swanky utility vehicle, its air-conditioning beating back the humid heat.

Redtown, which sits above the massive Carrizo-Wilcox Aquifer, is **one** of **two** CEM-owned properties where Bass and his colleagues have applied for permits to drill exploratory groundwater wells. If the modeling they've done pencils out, 43 high-capacity wells on those properties could produce nearly 49,000 acre-feet of water per year, or roughly a third of what the city of **Austin uses** annually. (One acre-foot is the amount of water it would take to cover one acre of land with one foot of water.)

Kyle Bass on April 3, 2025.
Photograph by Meridith Kohut

CEM applied for these permits a little over a year ago with the Neches & Trinity Valleys Groundwater Conservation District, which manages the region's aquifers. The filings were public, but most in the community didn't take notice until this past May, when the district announced the applications in local newspapers. (*Texas Monthly* published **a story on CEM's land-**

management projects the same month, and the topic never came up in interviews about its work.)

When East Texans got wind of the plans, there was a quick and vociferous backlash. Local politicians lined up to rebuke the project. "I will not stand by while attempts are made to drain my own district," **said state Representative Cody Harris**, a Palestine Republican and chairman of the Texas House Committee on Natural Resources. Rumors about Bass's intentions swelled. A groundwater conservation district board member resigned when it emerged that he was the operator CEM had hired to drill its wells. (The board member had already recused himself from votes on the application.) By the time the proposals came up for a vote at a district hearing in Jacksonville on June 19, the opposition had reached a fever pitch.

Unlike surface water, which is owned by the state, groundwater in Texas belongs to whoever owns the land above it. The governing principle, which has roots dating back to ancient Rome, is known as the rule of capture. It **allows that** "absent malice or willful waste, landowners have the right to take all the water they can capture under their land and do with it what they please." To rein in the unchecked excess permitted under the rule, the Texas Legislature created groundwater conservation districts in 1949 to manage and protect the resource. There are now 98 such districts throughout the state that are tasked with keeping tabs on the pumping in their regions.

They do this by monitoring a handful of metrics, the two most important of which are desired future conditions (DFC), which set the management area's goals for the health of the aquifer including water levels and springs flows, and modeled available groundwater (MAG), which is the average amount of water the Texas Water Development Board (TWDB) determines can be produced annually in order to meet the DFC. In theory, the districts shouldn't allow pumping in excess of the MAG, but in practice they often lack the authority or the resources to deny landowners the groundwater that is their property according to Texas law. What's more, in the many patches throughout the state where no water conservation district exists, the rule of capture reigns unchecked.

Many East Texans were familiarizing themselves with the nuances of this system in preparation for the Jacksonville hearing. When I spoke with Harris before the meeting, he put the dispute in context: Ever since he arrived at the Capitol in 2019, he told me, he's heard over and over again a saying that has echoed throughout the House chamber for generations. "In Texas," he said, "whiskey is for drinking and water is for fighting over."

On one side of the fight that night in Jacksonville was Bass. Wearing jeans, cowboy boots, and a collared button-up, he said the controversy over his company's application was a big misunderstanding. He described his familial ties to East Texas and insisted that CEM was seeking only an amount of water that could be sustainably withdrawn from the aquifer. The goal, he reiterated, was to meet a dire need in the parts of the state that are running dangerously low on water.

Those on the other side, who numbered in the hundreds, didn't buy it. "When the water table is drained, this gentleman will leave, and we're going to be sitting here with no water," one speaker said. Many locals questioned the science CEM had put forth and made it known that while they were strong proponents of capitalism, they did not support the "unfettered capitalism" they believed was driving Bass's operation.

After hours of heated testimony, the Neches & Trinity Valleys district board decided not to give the application an up-or-down vote. At CEM's request, the board voted to send the matter to the State Office of Administrative Hearings, where a judge would ultimately conduct an extensive hearing on Bass's plan, before sending their recommendation for a ruling back to the conservation district's board, who would make the final decision on the matter.

Bass has a history of being ahead of the curve when it comes to recognizing financial opportunity in flawed systems—he famously foretold and profited off the 2008 housing-market crash—but he wasn't the first to make a play for East Texas water. The City of San Antonio gets up to 50,000 acre-feet per year via a 142-mile pipeline from Burleson County, where local groundwater levels have reportedly plummeted and

residential wells have dried up. Two new pipelines are proposed, and a third is under construction to deliver Carrizo-Wilcox groundwater to rapidly growing Georgetown, north of Austin. In these and other cases, proposals have been met with stiff resistance, but rural opponents have generally lost out to urban or suburban recipients.

Bass maintains that the water projects are perfectly in line with the conservation principles guiding his company. “We look at things from a sustainability perspective,” he tells me. “So we run regenerative grazing with our cattle. We run boutique forestry; we run controlled burns. And when we look at water, we are looking at the areas where it’s the most prolific.” Bass and CEM frequently point to the “total storage” numbers for the aquifer. In Anderson County, the TWDB says that number is 170 million acre-feet. In Henderson County it’s 66 million. What CEM seeks to extract is a tiny fraction of that.

But groundwater experts warn that these figures can be misleading. “I would argue it’s irrelevant,” says Robert Mace, the executive director and chief water policy officer at the Meadows Center for Water and the Environment, at Texas State University. The amount of water that an aquifer stores is much different from what it can sustainably produce. The Carrizo-Wilcox is not simply an underground reservoir; it’s a dynamic system of sand, gravel, silt, and clay whose yield is governed by artesian pressure. Big water projects deplete that pressure and reduce the available yield. Mace, who worked at the Texas Water Development Board for eighteen years, says water from East Texas can be a part of the solution to the state’s water crisis, but probably only as a bridge to a longer-term remedy. What really matters when considering a groundwater application like CEM’s, Mace says, are the DFC and the MAG.

When Mace investigated the numbers, he calculated that if CEM pumps all that it is seeking, and other pumping in the area continues at current levels, the region would exceed its MAG by some 17,425 acre-feet per year, or about 35 percent. The figures are even more stark when you zoom in on the individual counties. According to TWDB, Bass’s team proposes pumping 123

percent of the MAG for the Carrizo-Wilcox in Anderson County and 142 percent in Henderson, *even before* factoring in existing pumping. Mace says he'd expect that to speed up water-level declines, resulting in "multicounty" impacts. He says it would also put the groundwater district in violation of its desired future conditions, which opens the possibility of enforcement action against the district from the Texas Commission on Environmental Quality.

But Bass and his colleagues note that their applications are merely for exploratory wells. They say that if the data they recover from those wells indicates that the water is not as plentiful as they think, they'll pare back their request when it comes time to seek a production or exportation permit.

In July, Harris convened a meeting at the Capitol on CEM's groundwater applications. Mark Calicutt, a local water-well driller, testified that he'd already seen many wells in the region go dry as water levels declined and that he worried Bass's plan would destroy the aquifer. The county judges from Anderson, Henderson, and Cherokee counties testified that among the three of them they knew of a single constituent in favor of Bass's plan. (They did not identify that constituent.) Summing up their testimony, Representative Trent Ashby, whose district covers a portion of Redtown Ranch, said, "Nobody wants this."

John McCall, the former mayor of the town of Crockett and the newest Texas Parks and Wildlife commissioner, testified that his family ranch, which shares a fence with CEM's property, is in Houston County, which doesn't have a groundwater conservation district. McCall said he and fellow residents now plan to create one, but until they do, all the water wells in the county are governed by the rule of capture. "It was a proud Texas thing," he tells me later, speaking of the rule. "But one selfish person can kill that." Indeed, many conservative lawmakers at the hearing seemed open to imposing limits on the rule or even doing away with it.

By the time Bass was called on, he had sat through about ten hours of testimony, much of which lambasted his plan. In a suit and tie, wearing cufflinks and cowboy boots depicting the Texas Rangers' star, Bass told the committee that he'd read the state water plan twice. It's "farcical," he said,

and “isn’t a real plan,” noting that while the state’s population is projected to grow by 73 percent over fifty years, water demand is projected to grow by only 9 percent. “Whether or not these permits go where we want them to go,” Bass said, “we have big issues to address.” Representative Jeff Barry of Pearland asked if Bass would consider working with the Water Development Board on his ideas for addressing the need in the state. Bass said eagerly that he would.

When it was Harris’s turn, he emphasized that the people of East Texas view the water beneath their feet as a property right, one that Bass threatened to take away, and asked the financier to put himself in their shoes. “Do you have the capacity to feel empathy?” he asked Bass. It seemed like a rhetorical question, but he wanted Bass to answer. (Bass said he did.)

During the hearing, a lawyer for the poultry giant Sanderson Farms testified that the company’s enormous East Texas chicken-farming operation would be severely affected by CEM’s plan. He took direct aim at Bass, making it clear that the nation’s third-largest poultry producer would not stand by as CEM’s application wound its way through the approval process. The next day Sanderson Farms, along with several local farms, filed a lawsuit against the Neches and Trinity Valleys Groundwater Conservation District. It buys time for the opponents of Bass’s plan, but the permit is likely still bound for a state administrative court hearing.

In August, Harris filed legislation during a special legislative session that would have initiated an extensive study of East Texas groundwater and placed a moratorium on any new exportation projects until the Legislature’s next regular session, in 2027. The bill passed the House by a vote of 126–4, but Bass’s team lobbied hard against it in the Senate. “I sent a letter to all the senators letting them know exactly what kind of a snake this guy is,” Harris told me. Ultimately the Senate stripped the pumping moratorium, weakening the legislation so much that the House wouldn’t adopt its version. The bill died when the Senate adjourned in early September.

Neither the lawsuit nor pending legislation seemed to be much on the minds of Bass and his partner, Anderson, when they drove me around Redtown

Ranch in late July. Their focus that day was demonstrating their method at work. We drove through a copse of hardwoods and stopped at the site of an exploratory well—one of two or three—that will be built should CEM's application be approved. Power lines had already been pulled to a nearby pole, but beyond that there was no indication of a major pumping operation.

Bass and Anderson said that when they bought the property, in 2022, they had no sense that they might eventually seek permits to produce a massive amount of water. Then one day Bass attended a meeting at ranch south of Fort Worth where Quinn McColly, an environmental scientist and water-markets scholar, spoke to a small group about the so-called **dry line**—which demarcates the boundary between the relatively wet Eastern U.S. and the arid West—moving steadily to the east in recent decades, swallowing up water resources as it passes. Bass cornered McColly after the speech to learn more. In no time, McColly was working for CEM to manage its water program. A little more than a year later, CEM had applied for permits.

"Look, our view is that the development of Texas is going to happen," Bass told me. But he insisted that it could be done thoughtfully, and he viewed Redtown as a perfect example. "If we put a water project here on some of the most beautiful land in the state, then that might allow us to put a five-thousand-acre conservation easement on the property forever." Of course, CEM could put all 7,249 acres in a conservation easement forever and abandon the water project, but then it would be more like a philanthropic enterprise, not a profitable one. And that's not Bass's approach.

Bob and Kimmie Sanders.
Fauna Creative/Courtesy of The Nature Conservancy

Bob Sanders sees ranchers as the original environmentalists. “The tip of the spear,” he likes to say. While he’s quick to clarify that he’s no tree-hugging liberal, Bob views himself as a guardian of the ecosystem, one who is both emotionally and financially invested in protecting the land. “If we screw up, we’re broke,” he says of ranchers like himself. “It’s catastrophic.”

It was early June when I visited Cypress River Ranch, which sits roughly equidistant between Lake O’ the Pines, upstream on the Big Cypress Bayou, and Caddo Lake downstream. News of CEM’s groundwater applications had just begun to spread, and Bob, who is staunchly against Bass’s plan, had his own water story to tell me.

As we drove through open pastures down to the river, Bob described 2011, a year of unprecedented drought in Texas. He gestured out the window to dead red oak trees that he says were among the few remaining physical reminders of the awful year. The Sanderses had tried to hold on, leveraging their unusually plentiful water resources to the best of their ability. “We were the

last ranch around here to run out of grass," Bob said. "Our lake dried up, and the only grass on the property was in the bed of that lake."

Fourteen years later, you can still hear the strain in his voice when he explains that they couldn't make it work. "There was just no grass," Bob remembered. "No hay, no feed, no nothing." Ultimately, they were forced to sell their whole herd. Bob said the lines of cattle trucks going to sale barns were miles long.

The Sanderses have built back their cattle operation since then, but the experience left a lasting impression. These days Bob does not take water for granted. Over the years he and Kimmie had developed a relationship with the Caddo Lake Institute, a nonprofit founded by Eagles front man and Linden native Don Henley. The organization spearheads conservation partnerships up and down the Cypress River basin, which feeds the lake. In 2014, from the banks of the Sanderses' ranch, it worked with the Army Corps of Engineers, Texas Parks and Wildlife, and the Nature Conservancy to reintroduce native paddlefish—the oldest surviving animal species in North America, some 300 million years old—into the Big Cypress Bayou. Gigantic bald cypress trees line the banks of the river where Bob and Dustin show me gravel bars that the team installed to provide spawning habitat for the paddlefish.

When Bob and Kimmie bought the ranch decades ago, the land came with rights to about 650 acre-feet of water per year from the river. Earlier this year **the Nature Conservancy announced** that the Sanderses had agreed to partner with it again, by selling a portion of those rights to the nonprofit. They also sold a smaller portion to the Caddo Lake Institute. They're essentially being paid to leave the water in the stream.

For the Nature Conservancy it was an opportunity for a first-of-its-kind transaction, in which the nonprofit dedicated the water right to the Texas Water Trust, a thus-far little-used program that allows water-rights holders to place their rights in the state-managed trust to protect waterways and ecosystems. (Governor Greg Abbott vetoed a bill from the recent legislative session that would have laid the groundwork for a sister program aimed at

conserving groundwater.) For the Sanderses, the deal was both a financial boost that would help promote the cattle operation and a kind of insurance policy.

The Sanderses' Cypress River Ranch, in Jefferson.
Fauna Creative/Courtesy of The Nature Conservancy

Bob had long been wary of big cities in need of more water. Even before CEM's application came to light, the Northeast Texas Municipal Water District had discussed plans to pipe 75,000 acre-feet per year from Lake O' the Pines to their counterparts to the west. The project was proposed as a **win-win**: Fast-growing suburbs in the Dallas–Fort Worth Metroplex get water they badly need, for which the water district to the east would be compensated, potentially enabling infrastructure upgrades and keeping utility rates stable.

But Bob and his neighbors saw it as a run on a limited and essential resource. It was exactly this scenario he was preparing for when he sold his water rights. He felt that as an individual landowner on the river, his influence could go only so far. But now that his water rights were held by two influential nonprofits and placed in a state-run trust managed by the Texas

Parks and Wildlife Department, he had some powerful interests on his side who could potentially leverage the Sanderses' rights to ensure that flow continued from Lake O' the Pines into the Big Cypress Bayou.

Through their connections at the Caddo Lake Institute, Bob and Kimmie soon found themselves part of an ad hoc coalition of locals who had lined up in opposition to the exportation project. As in the dispute over Bass's plan in Anderson County, rumors swelled, an official resigned, and crowds packed any local meeting where the matter was discussed. The Caddo Lake Institute helped spearhead the effort. Ultimately, after months of tireless campaigning by the institute's executive director, Laura-Ashley Overdyke, and her coalition, the momentum for a water deal with the Dallas suburbs fizzled out. But the threat still looms, and officials from the North Texas district made it clear in an **April statement** that they're still eyeing Lake O' the Pines.

The day after I visited the Sanderses' ranch, Overdyke arranged for a local outfitter named Pat Collins to take the two of us out on Caddo, the only large natural lake in the state. As Collins steered us through a maze of cypress swampland and past a giant beaver dam, Overdyke made the threat of these water projects clear. "If you operate Lake O' the Pines like a business, to maximize your profits," she said, referring to the Northeast Texas Municipal Water District, "you will kill both lakes."

This wasn't the first time Caddo, which is always at the mercy of those who control the water upstream, had been threatened by a large water project, and Overdyke is sure it won't be the last. She knows it's not always in the financial interest of the lake's upriver neighbors to promote the ecology downstream, and that's why she's so grateful for landowners like the Sanderses. She told me she had recently started to get a lot of calls about Kyle Bass's project. Groundwater isn't her area of expertise, and his property is in a different drainage basin, but it's all connected, she knows. As she sees it, the whole region is in danger, not just Caddo—which she considers the crown jewel, with its 973 species of plants and animals adapted over millennia to survive in just this environment.

Overdyke said folks in this part of the state have long known that there would be a major play for their water. “But it’s a little sooner than I think people were ready for,” she said, her voice fading over the hum of the motor and the ripple of the lake. She emphasized the unavoidable tension between those, invested in the place for generations, who take the long view and those who are guided by profit. “Unfortunately,” she said, “the water wars have come to East Texas.”

Soon thick clouds rolled in to obscure what had been a clear blue sky. With a gust of wind, rain began to pour down in buckets on the mud-brown lake. The soaking Spanish moss hung eerily from the centuries-old bald cypress trees and rain dripped on our heads, even under the boat’s canopy, as Collins steered us back to the dock through water he knows like the back of his hand.