

ORIGINAL



0000137490

J. Stephen Gehring, Private Citizen
Bobby Jones, Private Citizen
Lois Jones, Private Citizen
C/O: 8157 W. Deadeye Rd.
Payson, Arizona [PZ 85541]
(928) 474-9859
FAX: (928) 474-9799
In Propria Persona

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AZ CORP COMMISSION
DOCKET CONTROL

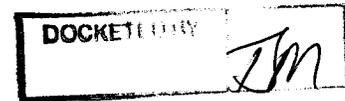
COMMISSIONERS

Gary Pierce, Chairman
Paul Newman, Commissioner
Brenda Burns, Commissioner
Bob Stump, Commissioner
Sandra D. Kenndy, Commissioner

Arizona Corporation Commission

DOCKETED

JUN 18 2012



Before the Arizona Corporation Commission

J. Stephen Gehring, Bobby Jones, Lois
Jones Private Citizens, Injured Parties,
Complainants,

vs.

PAYSON WATER CO. INC./BROOKE
UTILITIES INC.

Respondents.

DOCKET NO. W-03514A-12-0008

**NOTICE OF COMPLAINANTS'
SUPPLEMENTA DISCOVERY
AND DISCLOSURE NO. 2
ARCP RULE 26.1 AND
AAC RULE R14-3-109 et. Seq.**

NOW COMES, the Complainants J. Stephen Gehring, Bobby Jones and Lois Jones, to give Notice to the Commission and Respondents of their compliance with Rules of Discovery and Disclosure in these matters before the Commission. The Complainants make presentment of their Supplemental Discovery and Disclosure No. 2 of Evidence by disclosing the following:

DOCUMENTATION AND RECORDS:

WATER SHARING AGREEMETS, WARTER EXPLORATION AGREEMENTS, (See: Attached Exhibit C):

1. Water Sharing Agreement between Patricia A. Behm and Brooke Utilities, Inc.
Dated March 14, 1997, for Well No. 55-560398. Page 1-17
2. Water Exploration Agreement between El Caballo Club and Brooke Utilities Inc.
Dated February 6, 2001, for Well No. 55-585747. Page 18-26

Complainants' 2nd Supplemental Discovery and Disclosure

Page 1

WHEREFORE, Notice is hereby given to the Administrative Law Judge, the Commission and the Respondents that the Complainants have filed their Second Supplement to their Initial Discovery and Disclosure with additional Supplemental Disclosure to follow shortly.

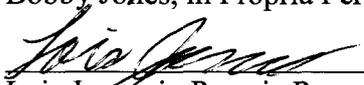
Respectfully submitted this 15th day of June, 2012



Stephen Gehring, in Propria Persona



Bobby Jones, in Propria Persona



Lois Jones, in Propria Persona

CERTIFICATE OF SERVICE

The Original and 13 copies of the foregoing Motion have been mailed this 15th day of June, 2012 to the following:

DOCKET CONTROL
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Copies of the foregoing Motion have been mailed this 15th day of June, 2012 to the following:

Bobby and Lois Jones
7325 N. Caballero Rd.
Payson, Az. 85541

Robert T. Hardcastle
P. O. Box 82218
Bakersfield, Ca. 93380

By: *T.S.G.*

EXHIBIT C

Water Sharing Agreement

This Water Sharing Agreement ("Agreement") is entered into this 14th day of March 1997 by and between Brooke Utilities, Inc. ("Brooke") with business offices located at 1011 South Stover Rd., Payson, Arizona 85541 and Patricia A. Behm an individual, ("Water Owner") with its principal mailing address at 605 West Arabian Way, Payson, Arizona 85541 (hereafter collectively referred to as the "Parties"). The Parties do hereby enter into this Agreement for the purpose of allowing use of certain domestic potable water available on Water Owner's property, as defined by the terms and condition of this Agreement, by Brooke or its assignee for its use in the supply of same to its customers.

Section I: Recitals

1. WHEREAS, Brooke is a properly organized Arizona corporation in good standing with its principal business located at that location first set forth above; and,
2. WHEREAS, Brooke, as of the date of this Agreement, is the exclusive owner of United Utilities, Inc. ("UU"), E&R Water Company, Inc. ("E&R"), Williamson Waterworks, Inc. ("WWW") and C&S Water Company, Inc. ("C&S") all of which are Arizona corporations in good standing operating in Gila County, Arizona; and, Brooke Water L.L.C. ("BWLLC"), an Arizona organized limited liability company in good standing operating in Maricopa and La Paz Counties, Arizona; and, High Desert Water Company, Inc. ("HDWCo."), Pine-Oak Water Company, Inc. ("P-O"), and Desert Utilities, Inc. ("DUI") all of which are Arizona corporations in good standing operating in Navajo County, Arizona; and, all of Brooke's water companies are hereafter collectively referred to as "Water Subsidiaries"; and,
3. WHEREAS, Water Subsidiaries operate individual water systems ("Water Systems") pursuant to various regulatory authorities in locations determined by the valid issuance, by the Arizona Corporation Commission ("ACC"), of Certificates of Convenience and Necessity ("CC&N") throughout all of the aforementioned Arizona counties and Pinal County, Arizona, presently serving approximate eight thousand domestic water customers; and,
4. WHEREAS, Brooke desires to supplement the existing domestic potable water supply of the Mesa del Caballo water system of United Utilities, Inc. with water sources in addition to those currently and previously developed by or on behalf of Brooke or any previous owner of the Water Subsidiaries; and,
5. WHEREAS, Water Subsidiaries are considered public service corporations within the meaning of Article XV of the Arizona Constitution, Arizona Revised Statutes ("A.R.S.") §§ 40-202 *et. seq.* and Arizona Administrative Code ("AAC") § 14-2-406 and are, therefore, subject to the various joint and several jurisdictions of ACC, Arizona Department of Environmental Quality ("ADEQ"), Residential Utility

Consumers Organization ("RUCO"), Arizona Department of Water Resources ("ADWR") and other regulatory authorities which may have jurisdiction over the operations of the Water Subsidiaries and are hereafter collectively referred to as "Regulatory Authorities"; and,

6. WHEREAS, Brooke desires to supplement the existing water supply of its Water Subsidiaries for an undetermined future period so as to more adequately assure the customers of the Water Subsidiaries of a stable, constant and uninterrupted domestic potable water supply; and,
7. WHEREAS, Brooke desires to maintain the exclusive right to assign the benefits under this Agreement, and subject to the conditions of this Agreement as it relates to the creation of any third party beneficiaries, to any of its Water Subsidiaries as an assignee of such benefits; and,
8. WHEREAS, any assignment of the benefits of this Agreement by Brooke to any of the Water Subsidiaries may be subject to the advance review, consideration and approval (the "Regulatory Approval Process") by the Regulatory Authorities. In any instances where the Regulatory Approval Process is required a condition precedent to the effectiveness of this Agreement is created. Therefore, this Agreement shall not become wholly effective nor serve as a responsibility of the Parties to perform any of the duties and obligations hereunder until the Regulatory Approval Process is successfully completed in the form of approval of this Agreement; and,
9. WHEREAS, Water Owner presently owns that water source ("Water Source") more completely described in Exhibit A producing potable domestic water pursuant to the production statistics indicated therein; and,
10. WHEREAS, Water Owner is presently the exclusive beneficiary of water from the Water Source for its private domestic use and otherwise has no current or future duty or obligation to share the water from this Water Source, except for that Water Source obligations contemplated by this Agreement; and,
11. WHEREAS, Water Owner desires to sell certain domestic potable water, pursuant to Schedule 1 of Exhibit E of this Agreement, from its Water Source, as defined by Exhibit A of this Agreement, to Brooke, or its assignee, for its use in accordance with the terms and conditions herein.

NOW, THEREFORE BE IT RESOLVED the Parties to this Agreement do hereby agree as indicated hereafter:

Section II: Covenants of the Parties

1. **Production Determination:** Brooke shall exclusively determine the production requirements of the Water Source supplying any of Water Subsidiaries based on water

system demand from its customers as determined, in whole or part, in conjunction with its other operating water sources of the applicable Water Subsidiary. In this regard, Brooke shall have the exclusive right to determine the amount, frequency and the time of required production from the Water Source for the benefit of its water system customers. However, at no time shall Brooke be obligated to utilize the Water Source as a supplemental water source for its Water Subsidiaries.

2. Responsibilities of Brooke: Brooke agrees to be responsible, as defined by this section, for the operation and maintenance of Water Owner's Water Source more fully described in Exhibit A of this Agreement. In this regard, and for all applications herein, this operational and maintenance responsibility shall include and be limited to the following: (a) monthly meter reading measuring the discharged gallons since the previous meter reading; (b) initial installation of a new water meter on the downstream side of the Water Source and necessary plumbing and equipment so as to be able to connect to the applicable water system; (c) monthly electrical utilities in excess of the average electrical utility cost more fully described by Exhibit D ("Utility Expense") and for subsequent annual utility costs thereafter as more fully described therein; (d) operator certification pursuant to ADEQ regulation R18-4-101 (5); (e) ADEQ periodic water monitoring and testing pursuant to R18-4-202, R18-4-104 (l) and R18-4-104 (a) (1); (f) general compliance related to water quality and delivery; (g) general liability insurance and property damage insurance coverage of not less than five hundred thousand dollars and no cents (\$500,000) combined single limit for injuries to or death of any person or persons and property damage resulting from each occurrence with evidence of same being provided to Water Owner within ten (10) days of the execution of this Agreement; and, (h) general repairs and maintenance to the Water Source, as exclusively determined by Brooke, not in excess of five-hundred dollars (\$500.00) annually (hereafter referred to as "Maintenance Expenses") as determined from that date first set forth above. Excluded from Brooke's responsibility under this section shall be all capital expenses, usually attributable to Water Owner, in excess of the Maintenance Expenses which act to materially extend the useful operating life of the Water Source beyond those general repair and maintenance expenses regularly incurred in the operation and maintenance of such facilities. For the purposes of this Agreement, any payment by Brooke of Maintenance Expenses as related to the Water Source, which is the subject of this Agreement, and as measured in the aggregate, is less than the annual Maintenance Expense amount, as determined from that date first set forth above, is not transferable to any subsequent Water Source operating period.
3. Responsibilities of Water Owner: Water Owner agrees to be responsible for all expenses of the Water Source as described in Exhibit A; except, however, Brooke shall be responsible for certain repair, operational and maintenance expenses more fully described by Section 2. Water Owner's resulting responsibility, hereunder, shall include, but not necessarily be limited to; (a) general liability insurance and property damage insurance coverage of not less than five hundred thousand dollars and no cents (\$500,000) combined single limit for injuries to or death of any person or persons and

\$300,000
P.B. MK

property damage resulting from each occurrence with evidence of same being provided to Brooke within ten (10) days of the execution of this Agreement; (b) the monthly amount represented herein as Utility Expenses by Exhibit D; (c) real and/or personal property taxes related, in whole or part, to the Water Source; (d) Water Source repair, operational, and maintenance expense in excess of the Maintenance Expenses, and (e) compliance with all applicable laws. Also, Water Owner shall be responsible, hereunder, for all Water Source capital expenses and costs which otherwise act to materially extend the useful operating life of the Water Source, as a private asset of Water Owner, beyond any of those expenses and costs otherwise described by this section and otherwise customarily incurred in the repair, operation and maintenance of such facilities. For the purposes of this Agreement, any payment by Brooke of Maintenance Expenses as related to the Water Source, which is the subject of this Agreement, and as measured in the aggregate, is less than the annual Maintenance Expense amount, as determined from that date first set forth above, is not transferable to any subsequent Water Source operating period. Water Owner shall be responsible for prompt and timely payment, so as to not interrupt the production of the Water Source, of all expenses related to the Water Source for which he is responsible hereunder.

4. Water Source Utility Expenses: Notwithstanding any other provisions of this section, Brooke shall be responsible for reimbursing Water Owner for the electrical utility expense in excess of the Utility Expenses directly related to the Water Source. Water Owner shall be responsible for submitting the cost of utilities related to the Water Source in sufficient detail and supported by a billing statement from the applicable utility company within ten (10) days after the receipt of same. Brooke shall pay to Water Owner, after its review and verification of same, the utility costs associated with the Water Source, less the Utility Expense amount more fully described by Exhibit D, within ten (10) after receipt of same from Water Owner. Water Owner and Brooke mutually agree and acknowledge that Brooke shall not, under any circumstances, be responsible for the payment of electrical utility costs, in accordance with this Agreement, which are not directly related to the Water Source. Failure by Water Owner to submit the electrical utility costs associated with the Water Source, in accordance with this section, shall constitute a waiver by Water Owner of Brooke's duties and obligation under this section for the applicable period of utility services.
5. Option to Install Separate Utility Meter: At its option and for any reason whatsoever, Brooke, after providing not less than thirty (30) days written notice to Water Owner, shall have the exclusive option, at its sole expense, to arrange for the installation of a separate electrical utility meter specifically and solely measuring the amount of electrical utility consumed by the Water Source.
6. Exclusivity of Water Use: The Parties to this Agreement do hereby agree, as evidenced by the execution of this Agreement, that the use of water from the Water Source, for the entire duration of this Agreement and its subsequent renewal portions,

shall be exclusively limited to the Parties or their assigns, heirs, or transferees as conducted in accordance with this Agreement.

7. Easements and Access to Water Source: At Brooke's option Water Owner shall grant to Brooke a private utility easement or a license to enter Water Owner's property for any purpose necessary under this Agreement. Brooke's access to Water Owner's property shall be related to the Water Source which must be sufficient, as exclusively determined by Brooke, for the access to the Water Source site so as to be able to perform regular repairs, operations, and maintenance of the Water Source. In any event, Brooke shall, at all times, be allowed reasonable access, ingress and egress to the Water Source for the purpose of production monitoring, well supervision, production maintenance and repairs and all other routine and regular purposes normally associated with the operation and maintenance of a water source similar to that which is the subject hereunder.
8. Connection to Public Water System: Brooke, or its agent or representative, shall connect Water Owner's Water Source to the applicable water system of the Water Subsidiaries in accordance with proper and good workmanship and general conditions of the industry. At all times, Brooke shall maintain the water connection in good condition and comply with the requirements of authorities having jurisdiction over such connection, at Brooke's sole cost and expense. The costs and expenses incurred by Brooke under this section 8 shall not be considered "Maintenance Expenses" for the purposes of this Agreement. Brooke shall, in every case where Water Owner's property is traversed for the purposes under this section, make every reasonable effort to approximately return Water Owner's property to that condition which existed prior to Brooke's work under this section.
9. Water Owner's Current Water Provider: As evidenced by its execution of this Agreement, Water Owner does hereby declare that it is not a current water customer of the Water Subsidiaries.

Section III: Option to Purchase Water Source

1. Brooke's Option to Purchase Water Source: If applicable, Brooke shall be granted an option to purchase Water Owner's Water Source in accordance with Exhibit F herein.

Section IV: Consideration

1. Payment of Consideration: Brooke shall pay to Water Owner not later than fifteen (15) days following its reading of the meter connected to the Water Source that complete consideration, except as may be defined herein, pursuant to Schedule 1 of Exhibit E. Brooke's payment to Water Owner shall be determined by measuring the total gallons of water provided to Water Subsidiary since the last meter reading at the Rate of Consideration indicated in Schedule 1 of Exhibit E. Brooke's payment shall be in valid currency of the United States or by means of corporate check. Brooke

reserves the right to process such payments at any administrative facility it deems appropriate. For the purposes of this Agreement, Brooke's payment to Water Owner hereunder shall be considered paid when Brooke places payment in the United States mails for delivery to Water Owner at the address first indicated above. Excepting the first months meter reading, in no case shall the meter of Water Owner's Water Source be read by Brooke more than approximately thirty-five (35) days from that date when such meter was previously read. The first months water production under this Agreement, as determined by Brooke's meter reading under this Agreement, shall be measured, without consideration of the date first set forth above, from that date Brooke actually began receiving water from the Water Source through the last business day of the applicable month.

2. Supplemental Consideration: Upon execution of this Agreement and the subsequent successful accomplishment of all conditions precedent hereunder, including but not necessarily limited to the review and approval by Regulatory Authorities, if any, of this Agreement, Brooke, or at its election its assignee, shall pay to Water Owner the sum of one thousand seven hundred sixty dollars and no cents (\$1,760.00) as further consideration ("Supplemental Consideration") and an inducement to Water Owner to execute this Agreement. The Supplemental Consideration payment described by this section shall be in addition to any other form of consideration described hereunder.
3. Minimum Consideration: Notwithstanding any provisions of the section Brooke shall have no obligation to pay Water Owner any minimum amount for its regular monthly use or nonuse of the Water Source.

Section V: Term

DATE 3/15/97

1. Term: The term of this Agreement shall be five (5) years from the date first set forth above and shall, absent either Parties proper notice of the other Party of its intention to terminate or renegotiate the Agreement, in accordance with the requirements set forth herein, automatically be renewed for consecutive and individual five year terms thereafter subject to the termination and renegotiation provisions set forth hereunder.

3/15/2000

Section VI: Termination and Renegotiation of the Agreement

1. Notice to Terminate: In the event either Party desires to terminate this Agreement the Party seeking termination shall be required to provide the other Party written notice ("Termination Notice") of its intention to terminate this Agreement. The Termination Notice required hereunder shall not to be received by the non-terminating Party less than one hundred and eighty (180) days prior to the expiration of this Agreement. Failure by the Party seeking termination under this section to provide proper notice as described hereunder shall constitute a full and complete waiver by the Party seeking termination of its intentions to terminate this Agreement until the applicable notice period of the immediately succeeding five (5) year contract period.

2. Notice to Renegotiate: In the event either Party desires to renegotiate this Agreement the Party seeking renegotiation shall be required to provide the other Party written notice ("Renegotiation Notice") of its intention to renegotiate this Agreement. The Renegotiation Notice required hereunder shall not be received by the non-noticing Party less than ninety (90) days prior to the expiration of this Agreement. Failure by the Party seeking renegotiation under this section to provide proper notice as described hereunder shall constitute a full and complete waiver by the Party seeking renegotiation of its intentions to renegotiate this Agreement until the applicable notice period of the immediately succeeding five (5) year contract period.
3. Notices to Either Party: All proper notices to either Party, as required by this section, shall be provided in accordance with other applicable notice provisions of this Agreement.
4. Non-Cancelable Agreement: Except in accordance with the terms and conditions of this section this Agreement shall be non-cancelable and non-terminable by either Party.

Section VII: General Conditions

1. Successors and Assigns: This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors, assigns and representatives; provided, however, that no assignment or transfer of any of the obligations, powers, duties or rights created in the obligee or assignee by this Agreement shall be binding upon any of the Parties to this Agreement until such assignment or transfer is approved in writing by each of the Parties hereto.
2. Indemnification: Each Party (the "Indemnifying Party") shall indemnify, defend and hold harmless each other Party ("Indemnified Party") from and against any loss, claim, damage, expense or liability, including without limitation reasonable attorneys' fees and costs, imposed upon or suffered by the Indemnified Party (i) in the performance of its duties hereunder where such loss, claim, damage, expense or liability results from the negligence or intentional acts of the Indemnifying Party; or (ii) as a result of the Indemnifying Parties breach or default under the terms of this Agreement.
3. Attorneys' Fees: If any suit or other action or proceeding is brought to enforce the terms of this Agreement, the prevailing party in such action shall be entitled to recover reasonably attorneys' fees and costs, such amounts as may be established by a court and not a jury.
4. Entire Agreement: This Agreement embodies the entire agreement between the Parties and supersedes all prior and contemporaneous oral or written agreements, representations and understandings, if any, relating to the subject matter hereof which shall hereby be superseded and merged. All documents attached to this Agreement shall be read and interpreted as consistent with one another.

5. Headings: Section headings are for the convenience of reference only and shall in no way affect the interpretation of this Agreement. This Agreement is the result of good faith negotiations between the Parties and, accordingly, shall not be construed for or against either Party regardless of which Party drafted this Agreement or any portion thereof.
6. Third Party Beneficiaries: Water Owner does not intend the benefits of this Agreement to inure to any third party, nor shall this Agreement be construed to make or render Brooke liable to any creditor, materialman, supplier, tax collector, contractor, subcontractor, broker, purchaser or lessee of the property of Water Owner. Brooke may, at its option, create a third party beneficiary by means of its assignment or transfer of this Agreement to Water Subsidiaries.
7. Further Assurances: Each Party shall execute and deliver all such documents and perform all such acts as reasonably requested by any party from time to time to perform the duties and obligations contemplated by this Agreement.
8. Incorporation of Exhibits: All annexes, schedules and exhibits attached hereto are hereby incorporated into this Agreement by each reference thereto as if fully set forth at each reference.
9. Authority: Each Party acknowledges and warrants that it is fully authorized and empowered to execute this Agreement by and through the individuals executing below.
10. Notices: Any notices or communication required or permitted to be given to any of the Parties to this Agreement must be in writing and shall be effective upon the earlier of (a) the date when received by such party, or (b) the date which is three (3) days after mailing, postage prepaid, by certified or registered mail, return receipt requested, to the address of such party as indicated below, or (c) by telefacsimile delivered or transmitted to the party to whom such notice is required or directed:

Brooke Utilities, Inc.

3101 State Rd.
Bakersfield, CA 93308
attn: Robert T. Hardcastle, President
Telefacsimile: (800) 748-6981

With copies to Brooke
Utilities, Inc.

1011 So. Stover Rd.
Payson, AZ 85541
attn: Robert T. Hardcastle, President
Telefacsimile: (520) 474-1695

Water Owner:

Patricia A. Behm
605 West Arabian Way
Payson, Arizona 85541

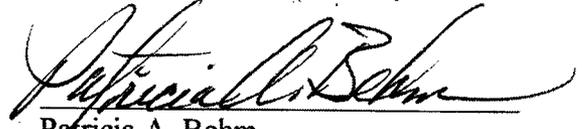
Any such notices to be personally delivered may be delivered to the principal offices or location of the other party to whom such notice is directed. Any such notice shall be deemed to have been given (whether actually received or not) on the day it is personally delivered as aforesaid. Any party to this Agreement may change its address or delivery location by giving notice to the other party pursuant to this section.

11. Time of Essence: Time is of the essence with regard to each provision of this Agreement as to which time is a factor. If this Agreement provides that any time period expires or date for performance specified in this Agreement falls on a nonbusiness day (i.e. Saturday, Sunday or legal holiday recognized by the State of Arizona), such time period or performance deadline shall be extended to the next business day.
12. Preparation of Documents: Brooke has prepared this Agreement. Water Owner and, at its option, its counsel acknowledge the opportunity to review this document. Accordingly, the Agreement shall not be construed against Brooke or its Water Subsidiaries because the Agreement was drafted by Brooke.
13. Arizona Law: This Agreement has been prepared, is being executed and delivered, and is intended to be performed in the State of Arizona. The substantive laws of the State of Arizona and the applicable federal laws of the United States of America shall govern the validity, construction, enforcement and interpretation of this Agreement and all documents related hereto without regard to conflict of the law rules.
14. Cooperation of Parties: The Parties hereto agree to do all such things and take all such action, and to make, execute and deliver such documents and instruments, as shall be reasonably requested to carry out the provisions, intent and purpose of this Agreement.
15. Counterparts: This Agreement may be executed in multiple counterparts, each of which, when so executed shall be deemed an original but all such counterparts shall constitute but one and the same Agreement.
16. Joint and Several Liability: Water Owner, if actually defined to represent more than a single individual, shall be jointly and severally liable for all duties and obligations under this Agreement.

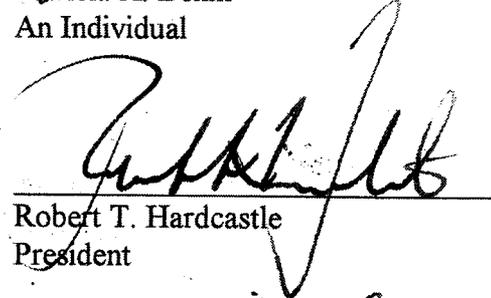
Acceptance

IN WITNESS HEREOF, the parties do hereby agree to the foregoing covenants, terms and conditions of the Agreement dated as first set forth above.

For: Water Owner
By:
Its:


Patricia A. Behm
An Individual

For: Brooke Utilities, Inc.
By:
Its:


Robert T. Hardcastle
President

For: United Utilities, Inc.
By:
Its:

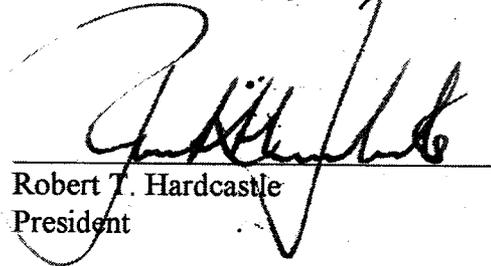

Robert T. Hardcastle
President

Exhibit A

Water Source Description and Production Statistics

That Water Source presently owned by Water Owner located on that property more fully described by the legal description in Exhibit B and the vicinity map depicted in Exhibit C is further described as follows:

Well Production Statistical Date	March 7, 1997
Water Well Statistical Method:	Sounding conducted by Brooke
Well Location:	approximately 15 feet from the east property line commonly bordering or adjacent to Toya Vista Road, and approximately 25 feet from the south property line perpendicular to Toya Vista Road of the Mesa del Caballo subdivision located in Gila Arizona.
Arizona Department of Water Resources Identification Number:	55-560398
Location Number:	A(11-10)23 abc
Static Water Level:	175 feet
Water Well Pump Capacity:	5 gallons per minute
Water Well Pump Elevation:	381 feet from well bottom
Water Well Bore Depth:	440 feet
Water Well Bore Size:	6 inches in diameter
Water Well Casing Depth:	440 feet
Water Well Drilling Permit Number:	108
Water Well Drilling Date:	December 31, 1996
Drilling Contractor:	Aero Drilling Co.
Other Pertinent Information:	None

Exhibit B

Water Source Property Description

Lot 289, Mesa del Caballo Tracts, Plat 5, according to Map No. 236, Records of Gila County, Arizona.

Note: Pursuant to Joint Tenancy Deed dated June 17, 1992 and recorded at Docket 877 Page 116 by Pioneer Title Agency, Inc., Payson, Arizona.

Exhibit C

Water Source Property Vicinity Map

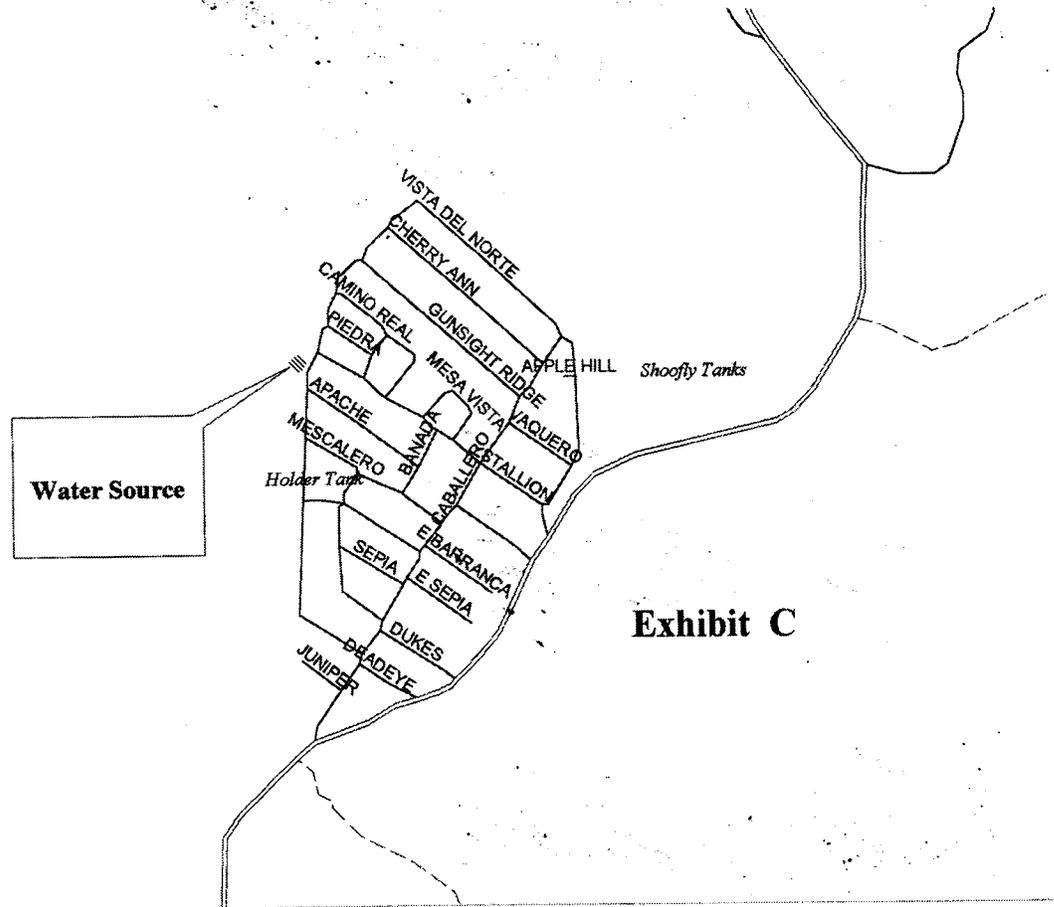


Exhibit D

Water Source Utility Expenses

New utility source installed by Brooke for the referenced Water Source.

Exhibit E

Consideration

Water Owner's full and complete consideration received from Brooke for use of its Water Source as a supplemental water supply shall be based on the gallons of water utilized from the Water Source, as otherwise defined in accordance with this Agreement as measured in gallons per minute ("GPM"). Accordingly, Brooke and Water Owner agree that such compensation shall be paid in accordance with Schedule 1 provided below:

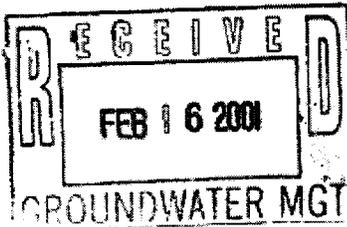
Schedule 1:

Water Source Production			
Water Source	Daily Water	Monthly Water	
Production	Production	Production	Rate of Consideration
in GPM	in Gallons	in Gallons	per 1,000 Gallons
5	7,200	216,000	\$ 0.50
6	8,640	259,200	\$ 0.50
7	10,080	302,400	\$ 0.50
8	11,520	345,600	\$ 0.50
9	12,960	388,800	\$ 0.50
10	14,400	432,000	\$ 0.50
11	15,840	475,200	\$ 0.50
12	17,280	518,400	\$ 0.50
13	18,720	561,600	\$ 0.60
14	20,160	604,800	\$ 0.60
15	21,600	648,000	\$ 0.60
16	23,040	691,200	\$ 0.60
17	24,480	734,400	\$ 0.60
18	25,920	777,600	\$ 0.60
19	27,360	820,800	\$ 0.60
20	28,800	864,000	\$ 0.75
21	30,240	907,200	\$ 0.75
22	31,680	950,400	\$ 0.75
23	33,120	993,600	\$ 0.75
24	34,560	1,036,800	\$ 0.75
25	36,000	1,080,000	\$ 0.75
26	37,440	1,123,200	\$ 0.75
27	38,880	1,166,400	\$ 1.00
28	40,320	1,209,600	\$ 1.00
29	41,760	1,252,800	\$ 1.00
30	43,200	1,296,000	\$ 1.00
31	44,640	1,339,200	\$ 1.00
32	46,080	1,382,400	\$ 1.00
more	1,382,401		\$ 1.25

Exhibit F

Brooke's Option to Purchase Water Source

For the purposes of this Agreement, Brooke shall not be granted an option to purchase Water Source from Water Owner.



Water Exploration Agreement

FILE COPY

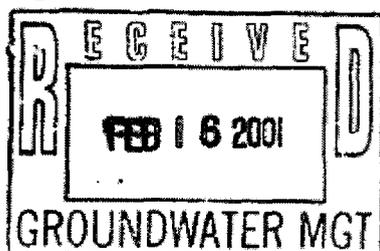
This Water Exploration Agreement ("Agreement") is entered into this 21st day of October 1996 by and between Brooke Utilities, Inc. ("Brooke") located at 1011 South Stoyer Rd., Payson, Arizona 85541 and El Caballo Club, Inc., a non-profit organization, ("Property Owner") with its principal mailing address at H.C. 3 Box 536, Payson, Arizona 85541 (hereafter collectively referred to as the "Parties"). The Parties do hereby enter into this Agreement for the purpose of allowing Brooke, its designee or assignee, to explore for domestic, potable water on Property, subject to the terms and condition of this Agreement.

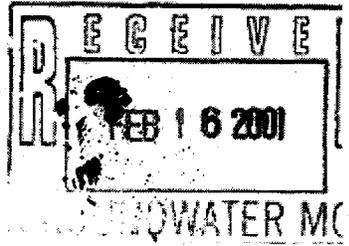
Section 1: Recitals

1. WHEREAS, Brooke is a properly organized Arizona corporation in good standing with its principal business located at that location first set forth above; and,
2. WHEREAS, Brooke, as of the date of this Agreement, is the exclusive owner of United Utilities, Inc. ("UU"), E&R Water Company, Inc. ("E&R"), Williamson Waterworks, Inc. ("WWW") and C&S Water Company, Inc. ("C&S") all of which are Arizona corporations in good standing operating in Gila County, Arizona; and, Brooke Water L.L.C. ("BWLLC"), an Arizona organized limited liability company in good standing operating in Maricopa and La Paz Counties, Arizona; and, High Desert Water Company, Inc. ("HDWCo."), Pine-Oak Water Company, Inc. ("P-O"), and Desert Utilities, Inc. ("DUP") all of which are Arizona corporations in good standing operating in Navajo County, Arizona; and, all of Brooke's water companies are hereafter collectively referred to as "Water Subsidiaries"; and,
3. WHEREAS, Water Subsidiaries operate individual water systems ("Water Systems") pursuant to various regulatory authorities in locations determined from the valid issuance, from the Arizona Corporation Commission ("ACC"), of Certificates of Convenience and Necessity ("CC&N") throughout all of the aforementioned Arizona counties and Pinal County, Arizona, presently serving approximate eight thousand domestic water customers; and,
4. WHEREAS, Water Subsidiaries are considered public service corporations within the meaning of Article XV of the Arizona Constitution, Arizona Revised Statutes ("A.R.S.") §§ 40-202 et. seq. and Arizona Administrative Code ("AAC") § 14-2-406 and are, therefore, subject to the various joint and several jurisdictions of ACC, Arizona Department of Environmental Quality ("ADEQ"), Residential Utility Consumers Organization ("RUCO"), Arizona Department of Water Resources ("ADWR") and other regulatory authorities which may have jurisdiction over the operations of the Water Subsidiaries and are hereafter collectively referred to as "Regulatory Authorities"; and,

5. WHEREAS, Brooke desires to maintain the exclusive right to assign the benefits under this Agreement to any of Water Subsidiaries as an assignee of such benefits; and,
6. WHEREAS, any assignment of the benefits of this Agreement by Brooke to the Water Subsidiaries may be subject to the advance review, consideration and approval (the "Regulatory Approval Process") by Regulatory Authorities. In any instances where the Regulatory Approval Process is required a condition precedent to the initial effectiveness of this Agreement is created. Therefore, where this Agreement is subject to such approval of the Regulatory Authorities, this Agreement shall not become effective, in whole or part, nor serve as a responsibility of the Parties to perform any of the duties and obligations hereunder until the Regulatory Approval Process is successfully completed in a form consistent with such approval from the Regulatory Authorities; and,
7. WHEREAS, Brooke desires to explore for water, in that location more fully described in Exhibit C attached hereto ("Exploration Site") and in accordance with this Agreement, on that property owned by Property Owner ("Property"); and,
8. WHEREAS, the Parties agree, acknowledge and recognize that the process of exploring for domestic, potable water does not necessarily assure finding same; and,
9. WHEREAS, the Parties agree, acknowledge and recognize that discovery of diminimus volumes of domestic, potable water may not be economically justifiable, as exclusively determined by Brooke, consistent with the terms of this Agreement; and,
10. WHEREAS, the Parties acknowledge that a water source which produces greater volumes of water is likely more valuable than a water source which produces lesser volumes of water; and,
11. WHEREAS, Property Owner presently owns Property, as more fully described in Exhibit A, as evidenced by Property Owner's Grant Deed, Special Warranty Deed, General Warranty Deed or through an equivalent instrument thereto and attached hereto as Exhibit B; and,
12. WHEREAS, Property Owner desires to allow Brooke to explore for domestic potable water at the Exploration Site of the Property; and,
13. WHEREAS, Brooke and Property Owner hereby agree, subject to the conditions hereunder, to obligate themselves to subsequently enter into a Water Sharing Agreement ("Sharing Agreement") for a period of not less than ten (10) years and which may, at Brooke's option, be incorporated into this Agreement.

NOW, THEREFORE BE IT RESOLVED the Parties to this Agreement do hereby agree to all of the terms and conditions of this Agreement:





Section II: Covenants of the Parties

1. **Responsibilities of Brooke:** Brooke agrees to explore for domestic, potable water on Property by means of a contractual engagement ("Drilling Contract") with a licensed well drilling contractor ("Contractor"), which shall be exclusively selected by Brooke, for the purpose of drilling a water well on Property. Brooke shall be financially responsible for the obligations of Drilling Contract except as herein defined. Brooke shall have complete authority to direct and manage the Contractor including, but not necessarily limited to, determining the depth of the water well; bore size of the water well; subsequent fracturing of the water well; use, and to what extent, of water well casing; water well casing materials; and all other reasonable contingencies which are customarily encountered with the drilling of a water well. Further, Brooke shall be responsible for providing Property Owner with a policy of general liability insurance and property damage insurance coverage, which shall remain in full force and effect until completion of the Drilling Contract, of not less than five hundred thousand dollars and no cents (\$500,000) combined single limit for injuries to or death of any person or persons and property damage resulting from each occurrence with evidence of same being provided to Property Owner within ten (10) days of the execution of this Agreement.

2. **Responsibilities of Property Owner:** Property Owner shall be obligated to fully cooperate and, at all times, provide Brooke and Contractor with reasonable assistance necessary to construct the water well. Property Owner shall further be responsible for (a) providing Brooke with a policy of general liability insurance and property damage insurance coverage, which shall remain in full force and effect until completion of the Drilling Contract, of not less than five hundred thousand dollars and no cents (\$500,000) combined single limit for injuries to or death of any person or persons and property damage resulting from each occurrence with evidence of same being provided to Property Owner within ten (10) days of the execution of this Agreement, and (b) all property tax assessments of the real and personal property associated with terms hereunder.

3. **Ownership of the Water Source:** In all cases under this Agreement the water source, and all equipment and appurtenances thereto, constructed hereunder shall be owned by Brooke, or its designee or assignee, and Property Owner shall acknowledge Brooke's ownership of same, in any manner reasonable requested by Brooke, and shall reasonably cooperate with Brooke in its documentation of such ownership.

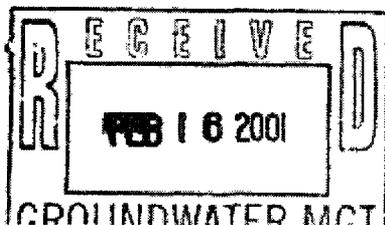
4. **Production Determination:** Brooke shall exercise its powers and rights hereunder to determine if the water source constructed on the Property is economically, operationally and regulatorily justified to be placed into production as a supplemental water source for the Water Subsidiaries. Brooke's determination under this section shall be exclusive and may be based upon any reasonable criteria Brooke deems appropriate and applicable. In the event Brooke determines that the water well is not

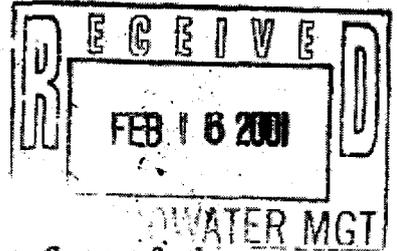
justified, subject to the criteria of this section, then Brooke shall be under no obligation to place water source into production and subsequently enter into the Sharing Agreement; nor shall Brooke be responsible for any duties or obligations thereunder; nor shall Brooke be under any obligation, except as defined herein, to otherwise place the water source into production for itself or Property Owner.

5. Production of Diminimus Water Source: Despite Brooke's determination that the water source is not justifiable, in accordance with the terms of this Agreement, Property Owner may elect to place the water source into production for its exclusive benefit. If, within five (5) years of Property Owner's decision to place the water source into production, Property Owner would agree to temporarily share, on a regular and continuous basis, the water production from the water source with Brooke, or its designees or assignees, subject to the rate of compensation ("Recovery Compensation") described in Exhibit D hereunder, until Brooke fully and completely recovers the original costs associated with constructing the water source.
6. Easements and Access to Water Source: At Brooke's option Property Owner shall grant to Brooke, within fifteen (15) days after its request to do so, and in a manner and form acceptable to Brooke, a permanent private utility easement ("PUE") related to the water source which is sufficient, as exclusively determined by Brooke, for reasonable access to the water source on the Exploration Site so as to be able to perform regular repairs, operations, and maintenance of the water source which may be required under the Sharing Agreement. In any event, Brooke, its contractors, employees, agents, and similar representatives shall, at all times, be allowed reasonable access, ingress and egress to the water source for the purpose of production monitoring, meter readings, water source supervision, production maintenance and repairs and all other routine and regular purposes normally associated with the operation and maintenance of a water source similar to that which is the subject hereunder.
7. License to Enter Property: For the purposes of this Agreement, and the responsibilities contemplated hereunder, Property Owner grants Brooke, or its designees or assignees, a license to enter its property to perform the duties hereunder.
8. Property Owner's Current Water Provider: As indicated by its execution of this Agreement, Property Owner does hereby declare that it is a current water customer of the Water Subsidiaries.

Section III: Consideration

1. Consideration: Brooke shall pay to Property Owner's five hundred dollars and no cents (\$500.00) as Property Owner's full, complete and final consideration under this Agreement for the rights, powers and privileges defined hereunder. Consideration payable hereunder shall not be payable by Brooke until all conditions precedent hereunder have been completely satisfied.





Section IV: Term

1. Term: The term of this Agreement shall be three (3) years from the date first set forth above and shall expire at the conclusion of that period. Brooke shall, until expiration of this Agreement, retain all rights, powers and privileges hereunder in their full force and effect to explore for domestic, potable water at the Exploration Site on the Property.

Section V: General Conditions

1. Successors and Assigns: This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors, assigns and representatives, provided, however, that no assignment or transfer of any of the obligations, powers, duties or rights created in the obligee or assignee by this Agreement shall be binding upon any of the Parties to this Agreement until such assignment or transfer is approved in writing by each of the Parties hereto.
2. Indemnification: Each Party shall indemnify, defend and hold harmless each other Party from and against any loss, claim, damage, expense or liability, including without limitation reasonable attorney's fees and costs, imposed upon or suffered by the other Party (i) in the performance of its duties hereunder, except to the extent that any such loss, claim, damage, expense or liability results from the negligence or intentional wrongdoing of either Party under this Agreement; and (ii) as a result of either Party's breach or default under the terms of this Agreement.
3. Attorney's Fees: If any suit or other action or proceeding is brought to enforce the terms of this Agreement, the prevailing party in such action shall be entitled to recover reasonably attorney's fees and costs, such amounts as may be established by a court and not a jury.
4. Entire Agreement: This Agreement embodies the entire agreement between the Parties and supersedes all prior and contemporaneous oral or written agreements, representations and understandings, if any, relating to the subject matter hereof which shall hereby be superseded and merged. All documents attached to this Agreement shall be read and interpreted as consistent with one another.
5. Headings: Section headings are for the convenience of reference only and shall in no way affect the interpretation of this Agreement. This Agreement is the result of good faith negotiations between the Parties and, accordingly, shall not be construed for or against either Party regardless of which Party drafted this Agreement or any portion thereof.
6. Third Party Beneficiaries: Property Owner does not intend the benefits of this Agreement to inure to any third party, nor shall this Agreement be construed to make

22

or render Brooke or Water Subsidiaries liable to any creditor, materialman, supplier, tax collector, contractor, subcontractor, broker, purchaser or lessee of Property or Property Owner. Brooke may, at its option, create a third party beneficiary by means of its assignment or transfer of this Agreement to Water Subsidiaries.

7. Further Assurances: Each Party shall execute and deliver all such documents and perform all such acts as reasonably requested by any party from time to time to perform the duties and obligations contemplated by this Agreement.
8. Incorporation of Exhibits: All annexes, schedules and exhibits attached hereto are hereby incorporated into this Agreement by each reference thereto as if fully set forth at each reference.
9. Authority: Each Party acknowledges and warrants that it is fully authorized and empowered to execute this Agreement by and through the individuals executing below.
10. Notices: Any notices or communication required or permitted to be given to any of the Parties to this Agreement must be in writing and shall be effective upon the earlier of (a) the date when received by such party, or (b) the date which is three (3) days after mailing, postage prepaid, by certified or registered mail, return receipt requested, to the address of such party as indicated below, or (c) by telefacsimile delivered or transmitted to the party to whom such notice is required or directed:

Brooke Utilities, Inc.

3101 State Rd.
Bakersfield, CA 93308
attn: Robert T. Hardcastle, President
Telefacsimile: (800) 748-6981

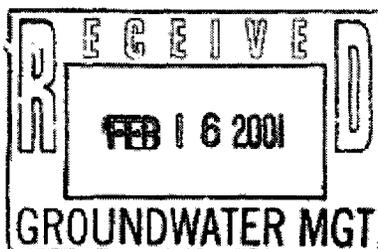
With copies to Brooke
Utilities, Inc.

1011 So. Stover Rd.
Payson, AZ 85541
attn: Robert T. Hardcastle, President
Telefacsimile: (520) 474-1695

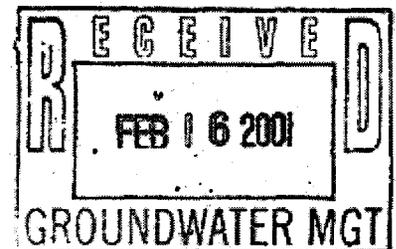
Property Owner:

El Caballo Club, Inc.
H.C. 3 Box 536
Payson, AZ 85541
attn: Ed Blose

Any such notices to be personally delivered may be delivered to the principal offices or location of the other party to whom such notice is directed. Any such notice shall be deemed to have been given (whether actually received or not) on the day it is personally delivered as aforesaid. Any party to this Agreement may change its address or delivery location by giving notice to the other party pursuant to this section.



11. Time of Essence: Time is of the essence with regard to each provision of this Agreement as to which time is a factor. If this Agreement provides that any time period expires or date for performance specified in this Agreement falls on a nonbusiness day (i.e. Saturday, Sunday or legal holiday recognized by the State of Arizona), such time period or performance deadline shall be extended to the next business day.
12. Preparation of Documents: Brooke has prepared this Agreement. Property Owner and, at its option, its counsel acknowledge the opportunity to review this document. Accordingly, the Agreement shall not be construed against Brooke or its Water Subsidiaries because the Agreement was drafted by Brooke.
13. Arizona Law: This Agreement has been prepared; is being executed and delivered, and is intended to be performed in the State of Arizona. The substantive laws of the State of Arizona and the applicable federal laws of the United States of America shall govern the validity, construction, enforcement and interpretation of this Agreement and all documents related hereto without regard to conflict of the law rules.
14. Cooperation of Parties: The Parties hereto agree to do all such things and take all such action, and to make, execute and deliver such documents and instruments, as shall be reasonably requested to carry out the provisions, intent and purpose of this Agreement.
15. Counterparts: This Agreement may be executed in multiple counterparts, each of which, when so executed shall be deemed an original but all such counterparts shall constitute but one and the same Agreement.
16. Joint and Several Liability: Property Owner, if actually defined to represent more than a single individual, shall be jointly and severally liable for all duties and obligations under this Agreement.



Acceptance

IN WITNESS HEREOF, the Parties do hereby agree to the foregoing covenants, terms and conditions of the Agreement dated as first set forth above.

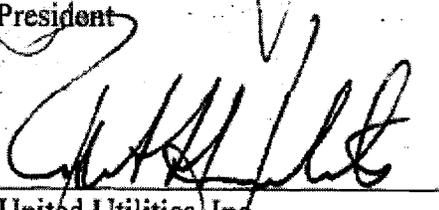
For: Property Owner
By:
Its:


Ed Blöse
President

For: Brooke Utilities, Inc.
By:
Its:


Robert T. Hardcastle
President

For: Nominee
Nominee Name:
By:
Its:


United Utilities, Inc.
Robert T. Hardcastle
President

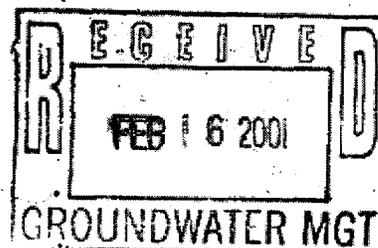
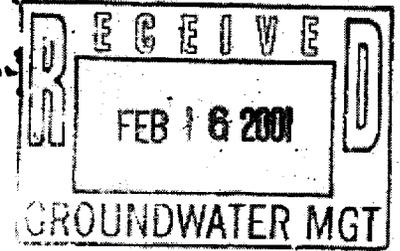


Exhibit A

Property Legal Description



Tract "A", Mesa del Caballo Tracts, plat 5, Gila County, Arizona, according to the official Map or Plat on file in the Office of the County Recorder of Gila County, Arizona, being Map No. 236.

Note: The above legal description as recorded on Quit Claim Deed dated June 9, 1988 in Gila County, Arizona.