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1 Kathleen M. Reidhead
2 14406 S. Cholla Canyon Dr.
3 Phoenix, AZ 85044
4 Telephone: 480-704-0261

RECEIVED

2014 JUN -6 A 11:17

ARIZONA CORPORATION COMMISSION
BEFORE THE ARIZONA CORPORATION COMMISSION

8 IN THE MATTER OF THE APPLICATION
9 OF PAYSON WATER CO., INC., AN
10 ARIZONA CORPORATION, FOR A
11 DETERMINATION OF THE FAIR VALUE
12 OF ITS UTILITY PLANTS AND
13 PROPERTY AND FOR INCREASES IN ITS
14 WATER RATES AND CHARGES FOR
15 UTILITY SERVICE BASED THEREON.

DOCKET NO: W-03514A-13-0111

Arizona Corporation Commission

DOCKETED

JUN 06 2014

DOCKETED BY

17 IN THE MATTER OF THE APPLICATION
18 OF PAYSON WATER CO., INC., AN
19 ARIZONA CORPORATION, FOR
20 AUTHORITY TO: (1) ISSUE EVIDENCE
21 OF INDEBTEDNESS IN AN AMOUNT
22 NOT TO EXCEED \$1,238,000 IN
23 CONNECTION WITH INFRASTRUCTURE
24 IMPROVEMENTS TO THE UTILITY
25 SYSTEM; AND (2) ENCUMBER REAL
26 PROPERTY AND PLANT AS SECURITY
27 FOR SUCH INDEBTEDNESS.

DOCKET NO: W-03514A-13-0142

ORIGINAL

MOTION FOR A CONTINUANCE
FOR LEGAL CONSULTATION - 06/06/14

30 Intervenor Kathleen M. Reidhead, "KMR", files this motion for a delay in the proceedings so that
31 she can consult with an Attorney regarding the introduction of new evidence produced by Payson Water
32 Company, "PWC" or "Company", yesterday. She is requesting a 90-day extension in the proceedings so
33 that she can consult with an Attorney on how best to re-open the Hearing or re-take testimony.

35 The introduction of Attachment A to PWC's Exceptions to the Recommended Opinion and
36 Order¹, regarding a consent order resolving violations related to third-party owned wells used by the
37 Company under water-sharing agreements shows that one of the well numbers used in the consent
38 order, #55-588967 is incorrect and that the correct well number is #55-585747.

¹ See Document #153745 filed on 06/05/2014.

1 KMR submits the attached Exhibit A, showing the ownership of well #55-585747 is Brooke
2 Utilities. Upon reviewing the testimony of Jason Williamson about his relationship to Robert Hardcastle
3 and/or Brooke Utilities, the record shows²:
4

5 **Mr. Shapiro: "JW Holdings acquired the stock of Payson Water Company from Brooke Utilities**
6 **in around early June of 2013?"**

7 **Mr. Williamson: "Correct."**
8

9 **Mr. Shapiro: "Before that, Brooke Utilities was the sole shareholder of Payson Water**
10 **Company?"**

11 **Mr. Williamson: "Yes."**
12

13 **Mr. Shapiro: "To your knowledge of Mr. Hardcastle, did he have a personal or direct interest**
14 **in the stock ownership of PWC?"**

15 **Mr. Williamson: "I don't know."**
16

17 **Mr. Shapiro: "Today, JW Water is the sole shareholder, correct?"**

18 **Mr. Williamson: "Yes."**
19

20 **Mr. Shapiro: "Brooke no longer has any interest in the Company nor does Mr. Hardcastle?"**

21 **Mr. Williamson: "That is correct."**
22

23 **Mr. Shapiro: "And you have no ongoing business or personal relationship with Mr.**
24 **Hardcastle?"**

25 **Mr. Williamson: "I do not".**
26

27 KMR submits that the newly introduced evidence shows that PWC has an ongoing business
28 relationship with Brooke Utilities, in the form of a water-sharing agreement for well #55-585747 in Mesa
29 del Caballo, "MdC" and that it is widely known that Robert Hardcastle is the owner of Brooke Utilities.
30 The above line of questioning appears as an attempt to assure the Intervenors that there is no
31 relationship with Robert Hardcastle, yet even Staff Attorney Robin Mitchell acknowledges that Mr.
32 Hardcastle was the owner of Brooke Utilities, saying **"I believe you testified in your Opening that you**
33 **had experienced some Customer Service issues before and...would you say it was during the time**
34 **period when the Company was owned, uh, with the owner who we all know is Bob Hardcastle?"**³.
35

36 KMR asserts that she was receiving her water services from Brooke Utilities and paying her
37 water bills to Brooke Utilities during the time period that Robin Mitchell was questioning her about
38 during this portion of her testimony.

² See the testimony of Jason Williamson from the Phase 2 Hearing on 02/04/2014 @ 04:28:35 - 04:29:52 of the archived video.

³ See the testimony of Kathleen M. Reidhead under questioning by Staff Attorney Robin Mitchell from the Phase 2 Hearing on 02/07/2014 @ 00:54:12 - 00:54:40 of the archived video.

1
2 This "slight of hand" with the wording of Mr. Shapiro's questions gives the impression that there
3 is no relationship between Jason Williamson and Robert Hardcastle and/or Brooke Utilities. The same is
4 true with Ms. Mitchell's vaguely worded questions. Both Attorneys know that KMR and other
5 intervenors are not Attorneys. KMR has stipulated that numerous times throughout these proceedings.
6 Yet they appear to be using trickery to give intervenors (unskilled in the law) the impression that there is
7 no ongoing relationship between Jason Williamson and Robert Hardcastle, yet the well information
8 introduced yesterday shows that there certainly is, as we all know that Robert Hardcastle is the owner
9 of Brooke Utilities. This is yet another example of misleading maneuvers employed in this case. As
10 pointed out in her Post-Hearing Brief, she requests a criminal investigation to determine whether there
11 was any collusion between Mr. Hardcastle and Mr. Williamson at the time of the sale of the Company⁴
12 and she further amends that statement to say, she requests a criminal investigation to determine
13 whether there was any collusion between Mr. Hardcastle and Mr. Williamson and/or Brooke Utilities
14 and PWC at ANY time.
15

16 In her Motion to Compel Discovery, Document #150577 filed on 12/30/2013, KMR states, "**Since**
17 **the former owner of PWC, Brooke Utilities Inc., "BUI", was under the management of Mr. Robert**
18 **Hardcastle prior to June 1, 2013 when a removal of assets is alleged to have occurred, KMR is asking**
19 **for a full disclosure about Mr. Jason Williamson's relationship to him. KMR asserts the information**
20 **requested in her Motion for Discovery is highly relevant to the rate case, as Mr. Williamson has**
21 **adopted and is supporting the rate application originally submitted by Mr. Robert Hardcastle. In light**
22 **of the disclosure of missing assets, which significantly alters the fair value of the Company's utility**
23 **property and impacts the setting of rates, it is important to know whether any collusion exists. "**
24

25 Accordingly, she requests an extension of time to consult with an Attorney on the legal
26 implications of this newly introduced evidence, in the eleventh hour.
27

28 Further, the letter from Mindi Cross from the ADEQ is dated April 7, 2014⁵, yet the Company
29 has withheld this information from the other parties for nearly 2 months. Therefore, an extension of
30 time to consult with an Attorney and evaluate the legal implications of this newly introduced evidence is
31 also requested.
32

33 Additionally, the Company also submitted Attachment C to PWC's Exceptions to the
34 Recommended Opinion and Order, which includes email verification that Water Use Data for 2009 and
35 2011 has been received and the Annual Reports have been marked as being complete. The Company
36 provided these reports to ADWR in February 2014⁶, but the other parties have not had an opportunity
37 to examine those reports. KMR requests time to evaluate the information contained in those reports as

⁴ See Post Hearing Brief of Kathleen M. Reidhead filed on 03/10/2014, Document #151657, page 14, lines 1-9.

⁵ See Attachment A to PWC's Exceptions to the Recommended Opinion and Order, Document #153745 filed on 06/05/2014.

⁶ See PWC's Exceptions to the Recommended Opinion and Order, Document #153745 filed on 06/05/2014, page 9, lines 22-23.

1 they may have a bearing on the facts of this case. She therefore requests an extension of time to
2 consult with an Attorney and evaluate the legal implications of this newly introduced evidence also.

3
4 Respectfully submitted this 6th day of June, 2014.

5
6 By Kathleen M. Reidhead
7 Kathleen M. Reidhead, Intervener
8 14406 S. Cholla Canyon Dr.
9 Phoenix, AZ 85044
10

11
12
13 ORIGINAL and thirteen (13) copies
14 of the foregoing were filed this 6th
15 day of June, 2014 with:

16
17 Docket Control
18 Arizona Corporation Commission
19 1200 W. Washington Street
20 Phoenix, AZ 85007
21

22 COPY of the foregoing was mailed
23 this 6th day of June, 2014 to:

24
25 Jay Shapiro (Attorney for Payson Water Co., Inc.)
26 Fennemore Craig P.C.
27 2394 E. Camelback Road, Suite 600
28 Phoenix, AZ 85016
29

J. Stephen Gehring
8157 W. Deadeye Rd.
Payson, AZ 85541

30 Robert Hardcastle
31 3101 State Road
32 Bakersfield, CA 93308
33

Glynn Ross
405 S. Ponderosa
Payson, AZ 85541

34 William Sheppard
35 6250 North Central Avenue
36 Phoenix, AZ 85012
37

Suzanne Nee
2051 E. Aspen Dr.
Tempe, AZ 85282

38 Thomas Bremer
39 6717 E. Turquoise Ave.
40 Scottsdale, AZ 85253

Kathleen M. Reidhead

EXHIBIT A



Home | [FAQ](#) | [Links](#) | [Contact Us](#) | [Water Resource Data](#) | [Imaged Records](#)

[Search](#) [Map](#) [Data Export](#) [Well Registry Help](#) [Email](#)

Well Registry Information

Registration Number 55- **585747**

General Construction Status **Owner** Driller Pump Data

Owner Information

Begin Date	End Date	Owner Type	Name Type	First Name	Last Name	Company
2/16/2001		PRIVATE OR COMPANY	OWNER			BROOKE UTILITIES

Select above owner to view details below

Street Address

Address 1	Address 2
1010 S STOVER RD	
City: PAYSON	State: AZ Zip: 85541

Phone Numbers

Country Code	Phone	Ext.	Cell	Home
	(928)474-8130			

Owner Details

Email	Title	Primary Mailing	Y - Yes	Registered Name	Y - Yes

Comments

Well Registry is ADWR's well database containing reported information on well status, location and construction.

e

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**ARIZONA DEPARTMENT OF WATER RESOURCES
GROUNDWATER MANAGEMENT SUPPORT SECTION
500 North Third Street
Phoenix, Arizona 85004**

THIS AUTHORIZATION SHALL BE IN POSSESSION OF THE DRILLER DURING ALL DRILL OPERATIONS

WELL REGISTRATION NO: 55-585747

AUTHORIZED DRILLER: AERO DRILLING AND PUMPS, INC.

LICENSE NO: 108

NOTICE OF INTENTION TO DRILL A NON-EXEMPT WELL(S) HAS BEEN FILED WITH THE DEPARTMENT BY:

WELL OWNER: BROOKE UTILITIES 1011 S STOVER RD PAYSON, AZ 85641

The well(s) is/are to be located in the:

NW ¼ of the SE ¼ of the NE ¼ Section 23 Township 11 NORTH Range 10 EAST

No. of wells in this project: 1

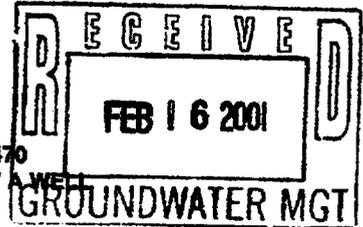
THIS AUTHORIZATION EXPIRES AT MIDNIGHT ON THE 15TH DAY OF FEBRUARY, 2002

ASD
GROUNDWATER MANAGEMENT SUPPORT

**THE DRILLER MUST FILE A LOG OF THE WELL
WITHIN 30 DAYS OF COMPLETION OF DRILLING**



**ARIZONA DEPARTMENT OF WATER RESOURCES
GROUNDWATER MANAGEMENT SUPPORT SECTION
MAIL TO: P. O. BOX 458, PHOENIX, ARIZONA 85001-0458
FOR MORE INFORMATION CALL: MONICA ORTIZ 602-417-2470
NOTICE OF INTENTION TO DRILL, DEEPEN, REPLACE OR MODIFY A WELL**



PLEASE COMPLETE ALL ITEMS IN THE BOX BELOW DOWN TO COUNTY OR LOCAL AUTHORITY ENDORSEMENT. IF WATER FROM THE PROPOSED WELL (LISTED BELOW) WILL BE USED FOR DOMESTIC PURPOSES ON A PARCEL OF LAND 20 OR FEWER ACRES, THE APPLICABLE COUNTY OR LOCAL HEALTH AUTHORITY MUST ENDORSE ALL ITEMS IN THE BOX BEFORE SUBMISSION TO THE DEPARTMENT OF WATER RESOURCES. ITEMS C, D, E, AND F MAY BE AVAILABLE FROM YOUR COUNTY ASSESSOR'S OFFICE.

A. Brooke Utilities 1011 S Stover Rd Payson, AZ 85541
 LANDOWNER'S NAME CURRENT MAILING ADDRESS CITY STATE ZIP

B. TELEPHONE NO. 520 474-8130 COUNTY ASSESSOR'S PARCEL ID INFORMATION:

C. WELL LOCATED IN Gila COUNTY D. 302-34-422E E. 1.0 OFFICIAL SEAL OR STAMP
 BOOK MAP PARCEL # OF ACRES

F. NW 1/4 SE 1/4 NE 1/4 OF SECTION 23 TOWNSHIP 11N N/S RANGE 10E E/W
 10AC 40AC 160AC COUNTY OR LOCAL AUTHORITY ENDORSEMENT

G. CHECK ONE:
 RECOMMEND APPROVAL _____; INSUFFICIENT INFORMATION TO MAKE A DETERMINATION _____; VARIANCE REQUIRED _____ (EXPLANATION ATTACHED)

H. DATE _____ AUTHORIZED SIGNATURE _____ TITLE _____

1. OWNER OF WELL:
Brooke Utilities
 NAME
1011 S Stover
 CURRENT MAILING ADDRESS
Payson, AZ 85541
 CITY STATE ZIP

TELEPHONE NUMBER 520.474 8130

2. ACTION REQUESTED:
 DRILL NEW WELL XX DEEPEN _____
 MODIFY _____ REPLACE _____

WELL REGISTRATION NO 55- _____

FOR A REPLACEMENT WELL PROVIDE:
 MAX. CAPACITY OF THE ORIGINAL WELL _____ GALLONS PER MINUTE;

DISTANCE FROM THE ORIGINAL WELL: _____ FEET

3. CONSTRUCTION WILL START ABOUT:
 MONTH 2 YEAR 2001

4. TYPE OF CASING FOR PROPOSED WELL:
 SURFACE CASING: Steel
 DIAMETER: 6 " DEPTH: 21 "

DOWNHOLE CASING: PVC
 DIAMETER: 4.5 " DEPTH: 400 "

5. DESIGN PUMP CAPACITY:
40 GALLONS PER MINUTE

6. LESSEE OF LAND OF WELLSITE:
None
 NAME
 CURRENT MAILING ADDRESS
 CITY STATE ZIP

TELEPHONE: _____

7. PRINCIPAL USE OF WATER: (BE SPECIFIC)
Municipal supply

8. OTHER USES OF WATER: (BE SPECIFIC).
None

9. PLACE OF USE (LEGAL DESCRIPTION OF LAND):
NW 1/4 SE 1/4 NE 1/4 SECTION 23
 10AC 40AC 160AC
 TOWNSHIP 11N N/S RANG 10E E/W

10. TYPE OF WELL (CHECK ONE):
 EXEMPT _____ NON-EXEMPT XX

11. CHECK ONE:
 RESIDENTIAL _____ STOCKWATER _____
 OTHER Municipal supply

12. IS THE PROPOSED WELLSITE WITHIN 100 FEET OF A SEPTIC TANK SYSTEM, SEWER DISPOSAL AREA, LANDFILL, HAZARDOUS MATERIALS OR PETROLEUM STORAGE AREAS AND TANKS?
 YES _____ NO XX

FOR DEPARTMENT USE ONLY
 REGISTRATION NO. 55- 585747
 DATE FILED 2/16/01
 FILE NO. A(11-10)23ADB

AMAVINA _____
 WS 05 S/B 72

PROCESSED BY MS
 DATE MAILED 2/20/01
 MD.

13. DRILLING FIRM:
Aero Drilling & Pumps, Inc
 NAME
PO Box 499
 MAILING ADDRESS
Payson, AZ 85547
 CITY STATE ZIP

520-474-2376
 TELEPHONE NO.
108
 DWR LICENSE NUMBER
C53 & A04
 ROC LICENSE CATEGORY

I STATE THAT THIS NOTICE IS FILED IN COMPLIANCE WITH A.R.S. 4-45-96, IS COMPLETE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF AND THAT I UNDERSTAND THE LIMITATIONS AND CONDITIONS SET FORTH ON THE REVERSE SIDE OF THIS FORM.

Dean Shaffer
 14. TYPE OR PRINT NAME AND TITLE

Dean Shaffer
 15. SIGNATURE OF LANDOWNER/LESSEE OF WELLSITE

2/8/00
 16. DATE

APPLICATION GUIDELINES

In accordance with Arizona Revised Statutes ("A.R.S.") §§ 41-1008 and 1079, the Department of Water Resources (Department) provides the following information regarding the application review process for authority to drill.

NECESSARY STEPS & INSTRUCTIONS TO OBTAIN DRILLING AUTHORITY

1. Pursuant to A.R.S. § 45-596, a person may not drill, cause to be drilled, deepen or modify any well for which a permit is not required without first filing a Notice of Intent to Drill with the Department. Only a well drilling contractor licensed in the State of Arizona or a single well licensee (a person licensed to drill or modify one exempt well on his or her own property) is authorized to drill, deepen or modify a well. Drilling may not begin until the well drilling contractor or licensee has possession of a drilling card at the well site, issued by the Director in the name of the well drilling contractor or licensee, and which authorizes the drilling of the specific well in a specific location. To assist you in understanding the requirements for this application, copies of A.R.S. § 45-596 and Arizona Administrative Code ("A.A.C.") R12-15-810 are available at the Department bookstore (602-417-2450 x7127).
2. If replacing, deepening, or modifying an existing well, provide the registration number of the existing well in item 2. A replacement well is one located no more than 660 feet from the original well and that is not expected to annually withdraw more groundwater than historically withdrawn from the original well.
3. Information to complete items 3, 4, 5 and 13 may be available from your driller.
4. Information to complete items 9 and 12 may be available from your County Assessor's Office.
5. For item 10, in an Active Management Area, A.R.S. § 45-454 only allows non-irrigation uses for "exempt" wells. If the proposed use includes the growing of 2 or more acres of plants for sale or human/animal consumption (irrigation use), the well does not qualify as an exempt well.
6. An exempt well, referred to in item 10, means a well with a pump with a maximum capacity of not more than thirty-five gallons per minute and used for non-irrigation purposes.
7. For item 11, in an Active Management Area, A.R.S. § 45-454 allow up to 56 acre feet per year of pumping from a domestic (residential) or stock watering exempt well, and up to 10 acre ft per year from an exempt well used for other (usually commercial non-irrigation) purposes.
8. If any water from a proposed well on a parcel of twenty or fewer acres will be used for domestic purposes, as defined in § 45-454, the applicant must submit a well site plan of the property. The plan must be on an 8½" x 11" piece of plain paper with representation of the locations of all structures and proximity of adjacent lot lines, to scale. It must include the county assessor's parcel identification number. The plan must show the proposed well location and the location of any septic tank or sewer system that is either located on the property or within one hundred feet of the proposed well site, as well as indicating the measured shortest distance between the proposed well and existing septic tank system. The plan must demonstrate that the well will not be drilled within one hundred feet of any septic or sewer system.
9. The site plan must be approved by the county health authority, or by a local health authority in areas where the county health authority has delegated authority to approve septic or sewer systems. Endorsement by the county/local authority is based solely on the best available judgement that the proposed well, as shown on the site plan submitted, is 100 feet or more from all known and visually identifiable sewage treatment systems. It is not a representation that a well placed at this site will be guaranteed as to quantity or quality. In areas where there is no local or county authority that controls installation of septic tanks or sewer systems, or if the health authority is unable to determine whether the proposed well location complies with state and local requirements, the applicant must apply for approval directly to the Department of Water Resources.
10. If an individual other than the land owner or lessee signs this notice, an original letter of authorization from the land owner/lessee, stating that the individual has permission to sign this specific notice on his or her behalf, must accompany the notice.
11. Please mail two original Notices with original signatures and two site plans and, in accordance with A.R.S. § 45-113, a check or money order (no cash) in the amount of \$10.00 to P. O. Box 458, Phoenix Arizona, 85001-0458, or hand deliver to 500 North Third Street, Phoenix, Arizona.
12. Arizona Revised Statute § 45-596(D) provides that the Director of the Department is to determine whether or not all information required on this form has been submitted. If not, the person filing the Notice will be notified, and the drilling or modification of the well may not proceed.
13. This form is not applicable for non-exempt wells (those yielding more than thirty-five gallons per minute) within an Active Management Area. Contact Groundwater Management for further information regarding the appropriate notice to file with the Department.

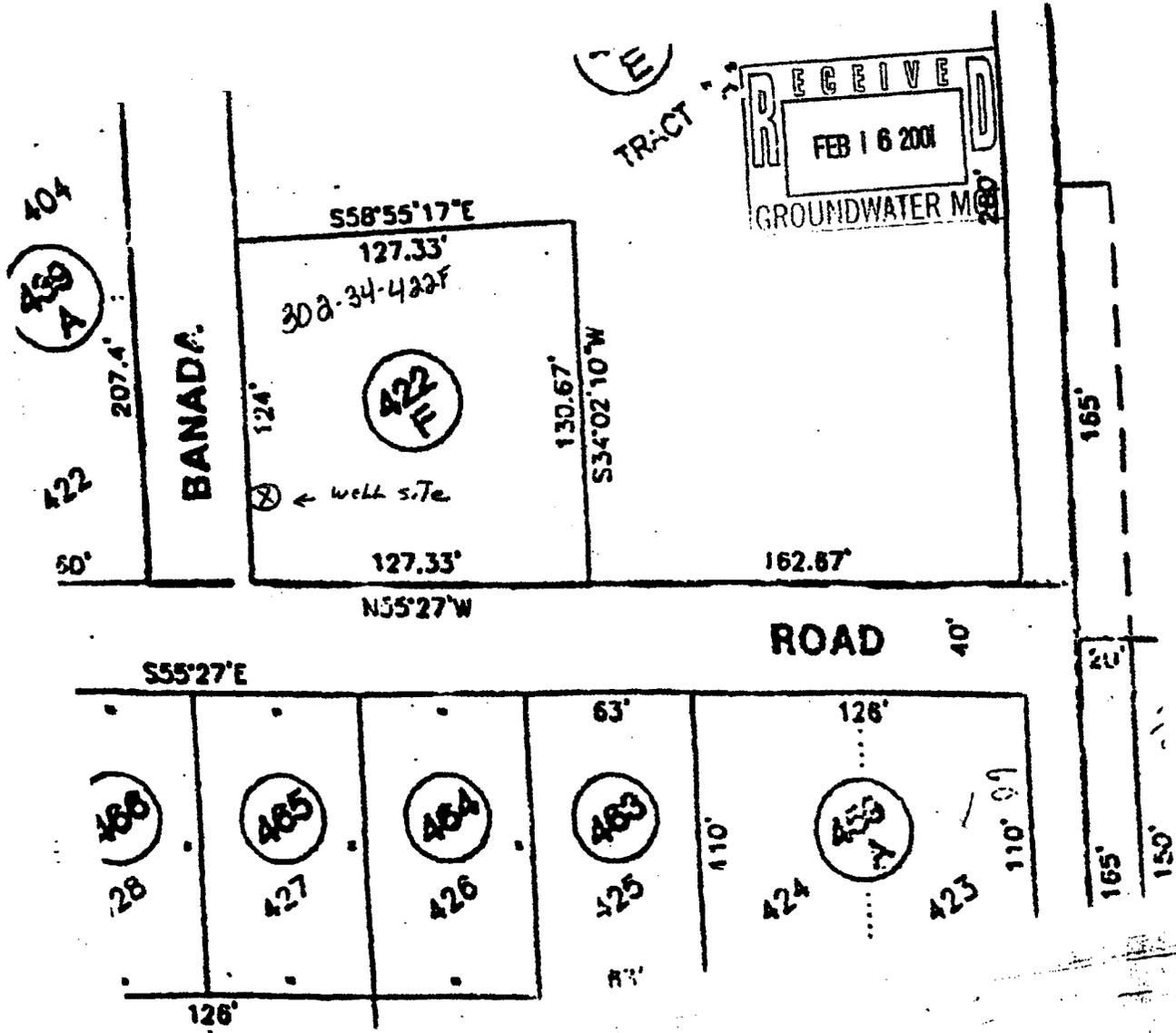
TIME FRAME FOR REVIEW OF YOUR APPLICATION

Within 15 days after receipt of your Notice of Intention the Arizona Department of Water Resources ("Department") will determine whether your application should be granted or denied, unless this time is extended for lack of a complete application. If your application is incomplete, the Department will notify you in writing and will specify what information is necessary to make the application complete. Until the missing information is received, the time frame for review of your application will be suspended. Your application will not be complete until all of the requested information is received. If you do not supply the missing information within sixty (60) days, the Department may deem your application withdrawn and close the file.

At the end of its review, the Department will send you a written notice either granting or denying your application for drilling authority. If your application is approved, the Drill Card will be mailed directly to the drilling contractor. If denied, the Department's notice will state justification for the denial and an explanation of your right to appeal.

CONSTRUCTION AND FOLLOW UP REQUIREMENTS

1. Construction and abandonment standards for wells, must be in accordance with Department Regulations, A.R.S. § 45-594 and Arizona Administrative Code R12-15-811 require the well to be constructed with a twenty foot steel surface seal casing, including a one foot steel stickup and one and one-half inches of grout seal around the casing from the surface to a depth of twenty feet, unless a variance is granted (see A.R.S. § 45-596 (G) for procedure to follow in requesting a variance).
2. Pursuant to § 45-596(E), the drilling, deepening or modification of the well must be completed within one year of the date of the Notice of Intent. If the well is not completed within one year, a new Notice of Intent must be filed before proceeding with further construction.
3. If a well which was originally drilled as an exploration well, a monitor well, a piezometer well or for any use other than domestic use is later proposed to be converted to use for domestic purposes as defined in § 45-454, the well owner must file a Notice of Intention to Drill and comply with the requirements of § 45-596 before the well is converted and any water from that well is used for domestic purposes.
4. Within thirty days after installation of pumping equipment, the registered well owner must file a Completion Report with the Department. The person to whom a well is registered also must notify the Department of a change in ownership or a change in data relating to this well.



ARIZONA DEPARTMENT OF WATER RESOURCES

500 North 3rd Street, Phoenix, Arizona 85004
Telephone (602) 417-2470
Fax (602) 417-2422



JANE DEE HULL
Governor

RITA PEARSON MAGUIRE
Director

February 21, 2001

BROOKE UTILITIES
1011 S STOVER RD
PAYSON, AZ 85541

Registration No. 55-585747
File No. A(11-10) 23 ADB

Dear Well Owner:

Enclosed is a copy of the Notice of Intention (NOI) to Drill a well. This NOI, which was recently filed with this Department, is being returned to you as evidence of your compliance with ARS §45-596. The enclosed Completion Report is to be submitted when pump equipment is installed. The Drilling Card and Well Drilling Report form have been sent to your driller. He may not begin drilling until he has received the Drilling Card and it must be displayed on the rig during drilling. If you change drillers, you must supply this Department with the new driller's identity. Please ensure that the driller you select is licensed to drill the type of well you require. All well drillers must pass an examination proving they understand the drilling methods for that particular license, and are familiar with the laws and regulations which govern well construction in Arizona.

If it is necessary to change the location of the proposed well, immediately contact the Department of Water Resources to obtain written permission before proceeding with the drilling. A properly signed, amended Drilling Card must be in the possession of the driller before drilling commences at a different location than originally authorized.

ARS §45-600 requires the registered well owner to submit a completion report within thirty (30) days after the installation of pumping equipment. It also requires the driller to furnish this Department a complete and accurate log of the well within thirty (30) days after completion of drilling. You should insist, and ensure, that both of these are done.

If in the course of drilling a new well, it is determined that the new well cannot be successfully completed as initially intended (dry hole, cave in, lost tools, etc.), the new well must be properly abandoned and a Well Abandonment Completion Report submitted per R12-15-816.F.

Per ARS §45-593 (C), the person to whom a well is registered shall notify this Department of a change in ownership of the well and/or information pertaining to the physical characteristics of the well in order to keep this well registration file current and accurate. We have enclosed a Change of Well Information Form should it be needed in the future.

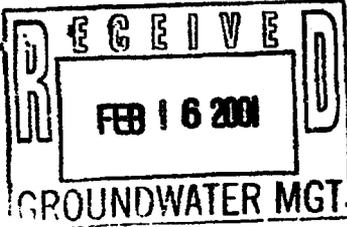
Sincerely,

A handwritten signature in cursive script that reads "Toni Bergeman".

Toni Bergeman
Water Resource Technician
Groundwater Management Support Section

Enclosures

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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 Stover 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.

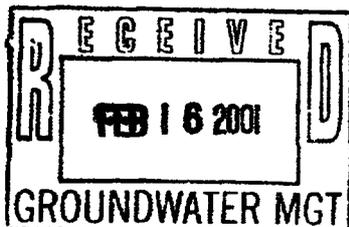
Section I: Recitals

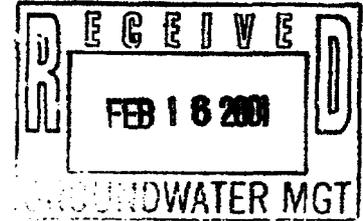
1. WHEREAS, Brooke is a properly organized Arizona corporation in good standing with its principal business located at that location first set forth above; and,
2. WHEREAS, Brooke, as of the date of this Agreement, is the exclusive owner of United Utilities, Inc. ("UU"), E&R Water Company, Inc. ("E&R"), 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. ("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,

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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

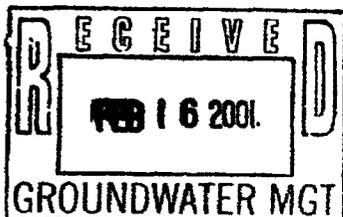
1. **Responsibilities of Brooke:** Brooke agrees to explore for domestic, potable water on Property by means of a contractual engagement ("Drilling Contract") with a licensed well drilling contractor ("Contractor"), which shall be exclusively selected by Brooke, for the purpose of drilling a water well 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

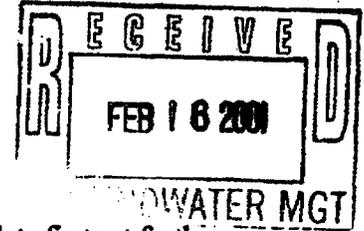
justified, subject to the criteria of this section, then Brooke shall be under no obligation to place water source into production and subsequently enter into the Sharing Agreement; nor shall Brooke be responsible for any duties or obligations thereunder; nor shall Brooke be under any obligation, except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

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

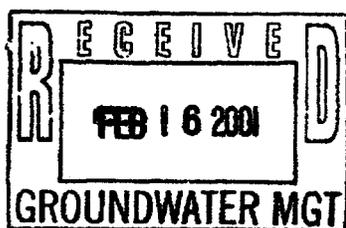
With copies to Brooke
Utilities, Inc.

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

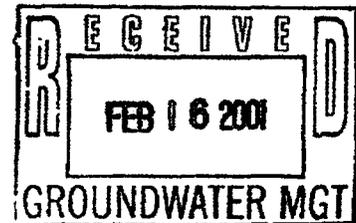
Property Owner:

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

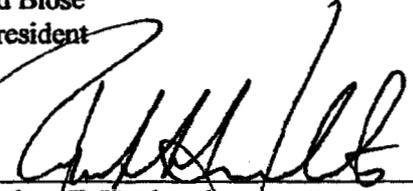
IN WITNESS HEREOF, the Parties do hereby agree to the foregoing covenants, terms and conditions of the Agreement dated as first set forth above.

For: Property Owner
By:
Its:



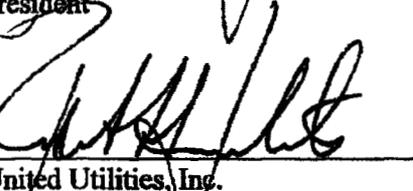
Ed Blose
President

For: Brooke Utilities, Inc.
By:
Its:

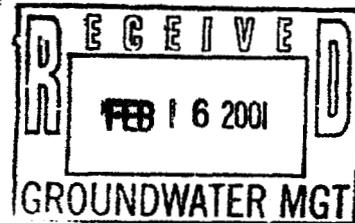


Robert T. Hardcastle
President

For: Nominee
Nominee Name:
By:
Its:

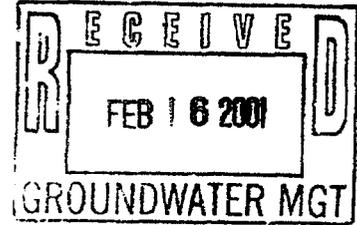


United Utilities, Inc.
Robert T. Hardcastle
President



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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.

STATE OF ARIZONA

I hereby certify that the within instrument was filed

Fee No. U

County of GILA

SS.

and recorded Jul. 15, 1988 at 8:10 A.M.

564788

3500 + 400 + 3/00

2:10

In Docket No. 740

Page s. 552 & 553

FILE COPY

at the request of Pioneer Title Company

When recorded mail to:

El Caballo Club
HCR Box 536
Payson, AZ 85541

Witness my hand and official seal.

MARY V. DE PAOLI,

SEP 7 1996

County Recorder

By Mary V. De Paoli Recorder

QUIT-CLAIM DEED

Exempt ARS 42-1614 B1

For the consideration of Ten Dollars, and other valuable considerations, ~~for~~ we,

Preston and Pauline Dooley, husband and wife; and
Bernard and Marilyn Swartwood, husband and wife
hereby quit-claim to

*UU-
MDC
legal
description*

El Caballo Club, an Arizona Corporation

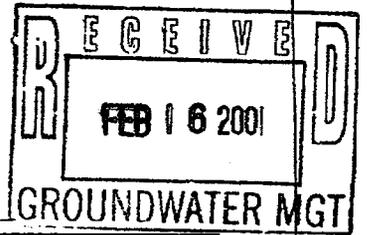
all right, title, or interest in the following real property situated in Gila
County, State of Arizona:

To Wit:

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.

This quit-claim includes any and all reversionary interest that
the grantors have relating to the above-described property.

COURTESY RELATIONS - NO TITLE LIABILITY



Date June 9, 1988

Preston Dooley
Pauline Dooley

STATE OF ARIZONA

SS.

County of GILA

Bernard Swartwood
Marilyn Swartwood

This instrument was acknowledged before me this 9 day of June, 1988, by

Preston Dooley and Pauline Dooley

My commission expires 2/5/92

Gonda Hoffman
Notary Public

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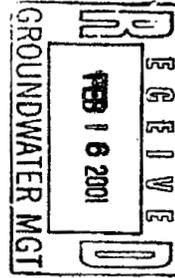
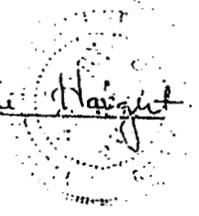
Date June 24th, 1988

STATE OF ARIZONA
County of GILA

This instrument was acknowledged before me this 24th day of
June, 1988, by Bernard Swartwood & Marilyn Swartwood

My commission expires: 8/28/89

Wanna Mae Haight
Notary Public



COPY

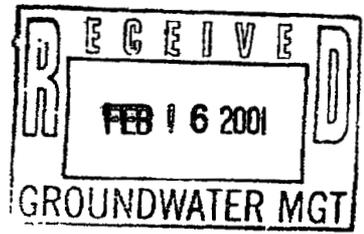
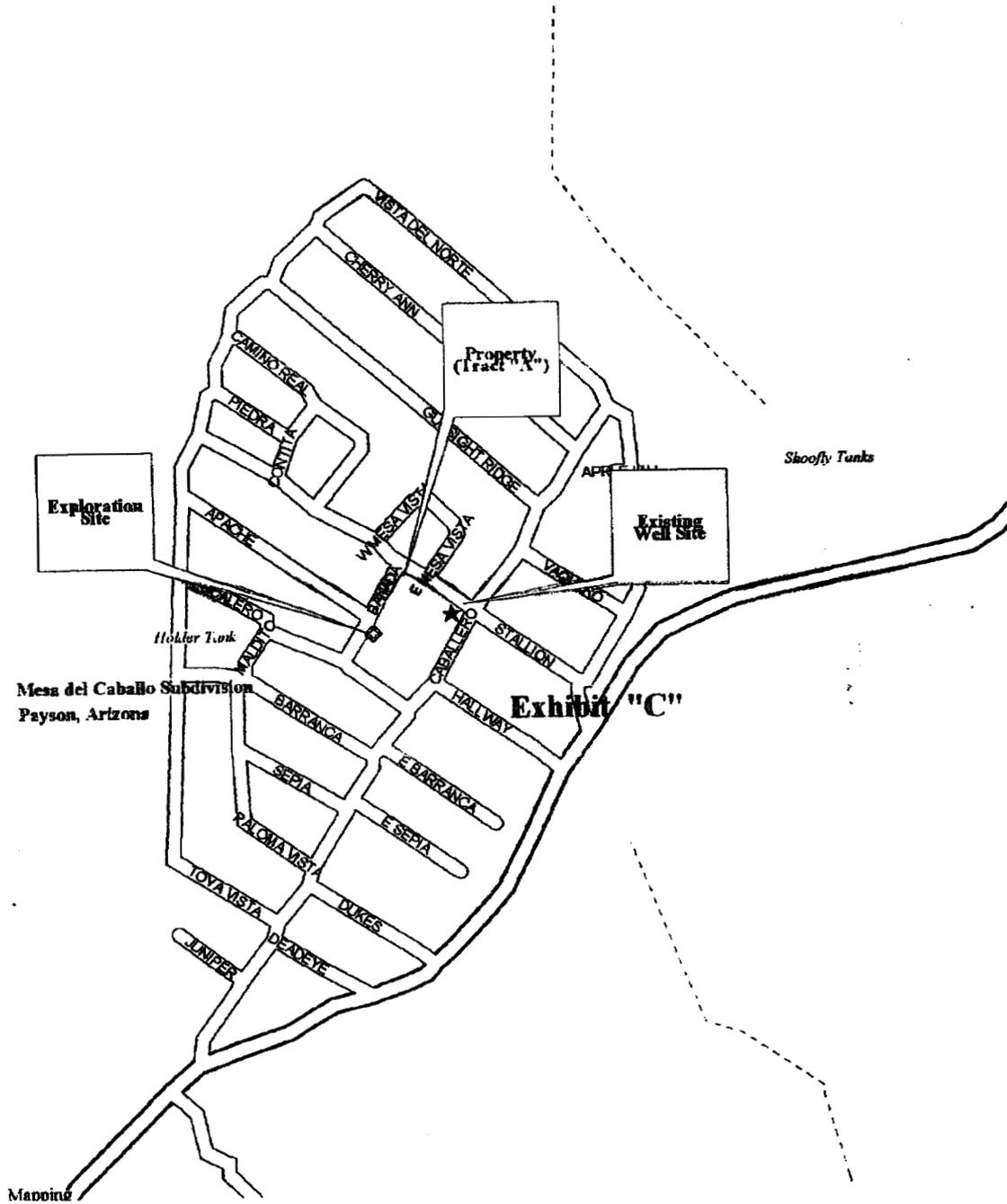


Exhibit C
Water Exploration Site Vicinity Map

See Below.

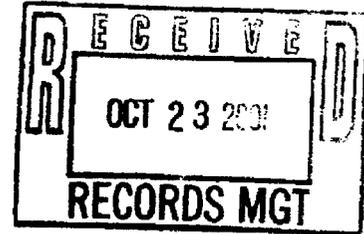


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ARIZONA DEPARTMENT OF WATER RESOURCES
500 North 3rd Street
Phoenix, Arizona 85004

WELL DRILLER REPORT

This report should be prepared by the driller in all detail and filed with the Department within 30 days following completion of the well.



1. **AERO DRILLING AND PUMPS, INC.**
P.O. BOX 499
PAYSON, AZ 85547-0499
2. Owner Name: Brooke Utilities
Address: 1011 S. Stover Rd., Payson, AZ 85541
City State Zip
3. Location: 11N N/S 10E E/W 23 1/4 NW 1/4 SE 1/4 NE
Township Range Section 10-acre 40-acre 160-acre
4. Well Registration No. 55-585747 (Required)
5. Permit No. N/A (If Issued)

DESCRIPTION OF WELL

6. Total depth of hole 400 ft.
7. Type of casing Steel & PVC
8. Diameter and length of casing 6" st 1 in. from 0 to 23, 4.5" PVC in from 0 to 400
9. Method of sealing at reduction points Adapter
10. Perforated from 360 to 400, from _____ to _____ from _____ to _____
11. Size of cuts 1/2" holes Number of cuts per foot 20
12. If screen was installed: Length N/A ft. Diam _____ in. Type _____
13. Method of construction Drilled
(drilled, dug, driven, bored, jetted, etc)
14. Date started 9/25/01
Month Day Year
15. Date completed 9/25/01
Month Day Year
16. Depth to water 155 ft. (If flowing well, so state)
17. Describe point from which depth measurements were made, and give sea level elevation if available
Surface _____
18. If flowing well, state method of flow regulation: N/A
19. Remarks: _____

DO NOT WRITE IN THIS SPACE
OFFICE RECORD
Registration No. 65- 585747
File No. A(11-10) 23 ADB
Received _____ By _____
Entered _____ By _____

