OPEN MEETING AGENDA ITEM

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

EXCEPTION

RECEIVED

ORIGINAL

Arizona Corporation Commission 2016 MAR -3 A 10:36

DOCKETED

AZ CORP COMMISSION
DOCKET CONTROL

MAR 03 2016

DOCKETED BY

COMMISSIONERS
Doug Little, Acting Chairman
Bob Burns, Commissioner
Bob Stump, Commissioner
Tom Forese, Commissioner
Vacant

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 AND DEMAND OF INTENT FOR THE RECORD OF EXHAUSTION OF ADMINISTRATIVE REMEDIES AND EXCEPTIONS TO THE ADMINISTRATIVE LAW JUDGES RECOMMENDATIONS TO THE COMMISSION

NOW COMES, the Complainants J. Stephen Gehring, Bobby Jones and Lois Jones, to give Notice and Demand of Intent for the Record of Exhaustion of Administrative Remedies in these proceedings and to respond to the Administrative Law Judges (ALJ) Recommendations to the Commission for and because of the following reasons which invalidate those ALJ Harpring's recommendations:

1) ALJ Nodes' and Staff's failed or refused to abide by their oaths of office and to identify the constitutional and statutory authority granted them to administer Administrative Due Process in these proceedings;
2) ALJ Nodes' failure or refusal to properly rule as required on any pleadings submitted by the Complainants or Respondents and for his arbitrarily ruling that; if the ALJ had not ruled on any pleading within twenty (20) days the pleading was automatically denied. No Statute, Arizona Administrative Code or Rule of Court was ever cited by Judge Nodes in support of this decision and none has been found to support his actions. In fact the only pleading ever ruled on by ALJ Nodes in these proceedings was to deny the Complainants their right to discovery and disclosure;
3) ALJ Nodes continuously showed extreme bias and prejudice towards the Complainants by and through; a) his arbitrary denial of the Complainants' right to discovery and disclosure and;

b) failure and refusal to enforce subpoenas or issue orders of contempt of Court against subpoenaed witnesses for non compliance with subpoenas to appear, testify and produce documents, records and other materials;

4) ALJ Nodes' and Staff's failure and refusal to give due consideration to the evidence presented by Complainants especially that evidence:

   a) That shows how water was hauled to E. Verde Park and billed to Mesa del Caballo customers.

   b) ALJ Nodes refusal to enforce subpoenas and deny the Complainants their right to acquire additional evidence in support of their Complaint from Zabola and Pearson. Specifically hauling records and invoices of water hauled to E. Verde Park;

   c) Evidence that proves beyond any reasonable doubt that Hardcastle lied repeatedly about there being no water under MDC (C-1 page 14 & 15) also (See: **Exhibit A** attached) and that showed how Hardcastle grossly inflated the costs ($600,000.00 plus) to drill two wells to a depth of 1,000 to 1,200 ft. (C-1 page 28) where in fact Central Arizona Pump bid each well complete for $56,144.92 (See: **Exhibit B** attached);

   d) The fact that the Town of Payson Water Department (TOPWD) charged sales tax for the water bought by Brooke Utilities (BUI) and Payson Water Co. (PWC) to haul to MDC (See: **Exhibit C** attached) and then added their own commodity tax to it. The water bought from the TOPWD should have been sold wholesale without any sales or commodity tax to BUI/PWC for retail to the customer. No other conclusion can be reached. The Customer paid a tax on a tax which was figured in as a cost of the water and hauling wherefore the Customer was double if not triple taxed for the Commodity;

   e) That proves in fact Mr. Hardcastle, BUI and PWC falsified public records in all Annual Reports of the PWC Systems to the ACC for several years and since BUI acquired the PWC/MDC system. Hardcastle knowingly and intentionally misidentified the Hamon well (55-553798 located at 8170 W. Gunsight Rd. MDC which has a production rate of 13-15 gpm and produced 400,000 to 500,000 gallons per day) to everyone, there were no clerical errors in identifying it as "Jo" 55-588967 (a U. S. Geological Survey well in Cochise County) and later as 55-558967 (Huddelston's well which was never drilled), as a source of water for the MDC system and where in fact Hardcastle/BUI/PWC were stealing water from that well for years, without financial compensation to the Harmon's estate and only minor compensation to Olson after he acquired the well in foreclosure as was clearly evidenced in (**See: C-4 pages 1-47, C-7, C-9, C-12**). Furthermore, that well had never been inspected by the EPA or ADEQ until 2011 because it was properly listed the evidence submitted by Mr. Hardcastle and BUI/PWC as to his costs of hauling water in 2009 and 2010 was exaggerated due to the greater distances he was hauling water from or hadn't anyone ever noticed as we did;

5) ALJ Nodes' Failure and Refusal to enforce subpoenas issued to Martin Zabola of Martin's Trucking Service, Jim Pearson of Pearson Transport/Pearson Water and Robert T. Hardcastle of BUI/PWC signed by the Executive Director of the ACC which resulted in the denial of Complainants' Right to examine witnesses and evidence in their possession that was vital and necessary to the prosecution of the Complaint;

6) ALJ Nodes failure and refusal to timely make his recommendations to the Commission based on the real truths, facts and evidence presented in these proceedings, the fact that he combined the Complainant's Complaint with Alan Smith's Complaint to create further confusion of the issues in these matters and refused to give due consideration to the pleadings submitted;

7) The fact that ALJ Harping used (almost exclusively) evidence not submitted in this Complaint but evidence, testimony and transcripts submitted in Alan Smith's Complaint and constantly references the Smith Docket to make her recommendations to the Commission approximately 3.5 years after the evidentiary hearing of June 26 and 27, 2012. Obviously she never reviewed any of the pleadings in these proceedings especially pleadings dealing with subpoenas issued and served or gave due consideration to that evidence submitted in these proceedings. Even Attorney Happer whom Mr. Smith employed at one point commented negatively on that illicit practice of combining complaints and mixing evidence and testimony as ALJ Harping has in her recommendations;

8) It should further be noted that: According to ALJ Harping in her recommendations to the Commission that Mr. Pearson testified in the Smith Docket in pages 18 to 20 the following: a) on page 18 lines 18 to 23 Mr. Pearson testified that; "while drivers may have made mistakes in the load meter read entries, the total read at the beginning and end would have been correct," and; b) "Pearson's hauling log meter reads and load counts were provided for Payson's (PWC) information purposes, not for any billing purposes; Pearson always provided hauling logs to Payson:" c) Mr. Garrett testified on page 19 lines 11 to 16 as to the following points 1) The Town of Payson created an Administrative Policy for the provision of supplemental water to MDC (only); 2) The Administrative Policy did not mention E. Verde Park; 3) No evidence was produced indicating that the Town was aware water was being hauled to EVP in 2011.

9) So the questions then become a) the total reads (on the BUI hauling sheets) at the beginning and end may have been correct but where did the water actually go, how much and when? We need the hauling logs created by Pearson for BUI/PWC for that period of water hauled to EVP to answer that question (remember we only had one for the period 8/11/11 to 8/12/11 and there were others that were subpoena; b) If PWC/BUI, Hardcastle, Allred and Pearson all had copies of the hauling logs why did they refuse to supply them in compliance with the subpoenas and in fact never supplied them in the Smith Docket or in this Complaint? c) What do they have to hide? d) Could it most likely have been the 84,702 gallons that

the Complainants had figured out were unaccounted for in delivery to MDC (See: C-6 pages 1-8) and that were hauled to EVP without the knowledge or consent of the TOPWD and billed to MDC Customers? Several small frauds add up to big frauds involving conspiracy of the parties involved.

10) As far as the signed and notarized Affidavits of Larry Olson and Dennis Tresca and their testimony of their first account observations of water being hauled out of MDC why were their Affidavits not given the same consideration as was Mr. Pearson's at hearing? Was it because Mr. Allred was allowed to read the Pearson Affidavit in Court over and above the Complainants' objection?

11) Failure and Refusal of Respondents to comply with Data Requests and Subpoenas and for that matter, why were the Respondents, BUI/PWC, Hardcastle, Allred, Pearson and Zabola not compelled according to the statutory construction and the Rules of Civil Procedure to produce documentation and make themselves available to appear pursuant to the subpoenas issued and served upon them?

12) The fact that the Commission allowed for the sale of the Utility during the litigation of Complaints that had not yet been resolved and refused to notify the Complainants and the public of the sale until it was all said and done. Was this done to assist the real criminals in these proceedings of somehow avoiding criminal prosecution?

13) The fact that both Mr. Hardcastle and Mr. Allred committed perjury under oath and on the witness stand (on several occasions during the hearings and for that matter in their evidence presented), and why was Mr. Allred allowed to testify on behalf (hearsay) of Mr. Pearson by reading his Affidavit and the Complainants were totally denied their right to cross examine Mr. Pearson or examine the evidence he had in his possession and that he allegedly based his Affidavit on;

14) ALJ's Nodes, Harping and legal Staff failed or refused to recognize or consider that; a) Complainant's Newly Discovered Evidence submitted on July 13, 2012 pursuant to ARCP Rule 60 and AAC Rule R14-3-109 et.Seq. was in response to evidence submitted at hearing on June 27, 2012 by Mr. Hardcastle and that was not previously disclosed to the Complainants prior to the submission of that evidence at hearing; b) they all ignored the Pearson/Zabola hauling logs and Complainants' assessment of those hauling logs, BUI/PWC well production reports (C-2, C-5 and C-6), and the fact that Pearson, Zabola and Hardcastle all refused repeatedly to comply with the subpoenas issued to them to produce the hauling logs that were missing and associated with the hauling of water to E. Verde Park, Illegally. Did any of these people, in public office, bother to ask the question why they refuse, what do they have to hide? and; c) the most recent "compliance filings" of Payson Water Co. Inc., under new ownership and submitted in the rate case, clearly evidence that besides the system having extreme leaks in the water delivery system that far and exceed 10% and to the tune of approximately 164,000 gallons per month, in 2011 where sloughed it off at and misrepresented to be only 5.7%. They never considered that the

delivery system created in the 1950's with "seconite" asbestos based pipe is antiquated and in need of serious repairs and replacement and discovered after the purchase that a 20,000 gallon tank had two feet of sludge in it. The drinking water in the system was not safe;

15) Failure and refusal of the Commission, ALJ,s Nodes, Harping, as well as Staff and the Accounting and Rates Department to protect the Rate Payers of the MDC System from paying excessive hauling rates imposed by an ACC mandate and obviously abused by the utility company and their hired and contracted haulers (Pearson and Zabola) and to rule, conduct proper investigation of company(s) accounting practices and the water hauling companies' accounting of business records which apparently because of the extreme errors of ALJ Nodes and Staff may have been allowed to be destroy to cover up the criminal activities of the Respondent and those they contracted with to do their "dirty work;"

16) What was the word phrase, "the water doesn't matter the hauling matters." Therein lies the foundation of a huge criminal fraud that the Respondents, its officers, agents, employees, contractors, and ACC personnel bought into and went along with. You all be stuck! You all be participants in the Corporate fraud designed by Hardcastle. You all let him get away with it;

17) Neither the Respondents or Staff ever evidenced that the El Caballo Club Water Committee ever had any lawful authority or power of attorney whatsoever to represent any Customer in the Mesa del Caballeo water system in any proceedings associated the Curtailment, water hauling and augmentation or anything else.

18) Let us properly defined "fraud" and according to Ballentine's Law Dictionary 3rd Edition so that maybe some one of you might understand and comprehend:

FRAUD: Deceit, deception, artifice, or trickery operating prejudicially on the rights of another, and so intended, by inducing him to part with property or surrender some legal right. **23 Am J2d Fraud § 2.** Anything calculated to deceive another to his prejudice and accomplishing the purpose, whether it be an act, a word, silence, the suppression of the truth, or other device contrary to the plain rules of common honesty. **23 Am J2d Fraud § 2.** An affirmation of a fact rather than a promise or statement of intent to do something in the future. **Miller v. Sutiff, 241 Ill 521, 89 NE 651.**

For the purpose of the exception to discharge in bankruptcy of debts incurred by officers and fiduciaries through "fraud": -- positive fraud, fraud in fact, involving moral turpitude or intentional wrong **9 Am J2d Bankr § 801.** As a ground for annulment of a marriage:-- concealment or deception affecting the free consent of the injured party, involving such matter as identity, birth, rank, family, fortune, health, character, morality, habits, temper, reputation, etc **35 Am J1st Mar § 90.**

See: badge of fraud; constructive fraud; deceit; extrinsic fraud; fraudulent conveyance; legal fraud; misrepresentation; positive fraud. You folks really need to pay strict attention to the above definition.

Wherefore, the Complainants hereby give notice that it is obvious to them that they and all other Consumers in the MDC water system have been denied Due Process of Law and defrauded in all of these proceedings and that the ALJ's, legal Staff and others involved, absolutely refuse to open their eyes to the real truth and facts both presented and arbitrarily denied to be presented without justification or legal right under the law and Rules of Civil Procedure.

That ALJ's Nodes, Harping and legal Staff in violation of U. S. and Arizona Constitutional and Statutory rights and protection under law (See: ARS § 40-428 et seq., and Arizona Constitution et. Seq.) arbitrarily denied these Complainants Administrative Due Process throughout these entire proceedings and that said State employees of the Arizona Corporation Commission along with others with personal interests for financial gain acted under the color of law for the State of Arizona and knowingly violated Arizona Constitutional law and ARS § 40-428 et seq.

Further, notice is given that the Complainants J. Stephen Gehring, Bobby Jones and Lois Jones have exhausted all Administrative remedies available to them and demand remedy for these actions under color of law, plus you, shall bear all legal fees, court costs and attorney fees etc. in the impending action to be brought against you.

Please respond within Twenty (20) days from the date of this document or this document will initiate a cause of action and will be introduced and substantially stated in Court (See RE: Beebe v. Green, C2A 7961, 34 R. I. 171) mandatory authority in a trial memorandum will be introduced in an action or a subpoena against you (See: Endresen vs. Allen, 574 P 2d, 1219) ignorance or mistake as to a matter of law does not relieve a person or firm of civil/criminal responsibility.

Respectfully submitted this 2nd day of March, 2016

J. 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 2nd day March, 2016 to the following:

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

Copies of the foregoing Motion have been mailed this 2nd day March, 2016 to the following:

Jason Williamson, President
Payson Water Co., Inc.
7581 East Academy Boulevard, Suite 229
Denver, CO 80230

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

Janice Alward, Chief Counsel
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

Thomas Broderick, Director
Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

By: _____

Exhibit A

Southwest Ground-water Consultants, Inc.

RECEIVED
APR 20 2010
BROOKE UTILITIES

LETTER OF TRANSMITTAL

PRIVILEGED AND CONFIDENTIAL

TO:	Mr. Bob Hardcastle President Brooke Utilities P. O. Box 82218 Bakersfield, CA 93380	DATE: DELIVERY:	April 16, 2010 Mail
FROM:	Kevin Goldman Southwest Ground-water Consultants, Inc. 3033 N. 44th Street, Suite 120 Phoenix, AZ 85018	PAGES: PROJECT:	One report plus this cover Mesa Del Caballo
Copy:	Stephen D. Noel, SGC Ms. Myndi Brogdon, Brooke Utilities	PROJECT NO.	B.1793

REMARKS

Bob:

Please find enclosed one original letter report entitled, "*Mesa del Caballo Zonge CSAMT Survey,*" dated March 30, 2010.

Please let me know if you have any questions or need additional information.

Thank you,

Kevin Goldman
Staff Geologist

Southwest Ground-water Consultants, Inc.

March 30, 2010

Mr. Bob Hardcastle
President, Brooke Utilities
P.O. Box 82218
Bakersfield, California 93380

SUBJECT: MESA DEL CABALLO ZONGE CSAMT SURVEY

Dear Mr. Hardcastle,

Southwest Ground-water Consultants, Inc. (SGC) has prepared the following letter report summarizing the results and findings of Zonge Engineering and Research Organization (Zonge), Inc. The Zonge report is entitled *Geophysical AMT Survey on the Mesa Del Caballo Project*, dated March 16, 2010. A copy of the Zonge report is presented in Attachment I for reference. The SGC interpretation of the Zonge data with respect to the local hydrogeologic conditions and recommended well locations and depths are also presented

ZONGE REPORT REVIEW

Geophysical Survey

Zonge conducted a natural source Audio-frequency Magnetotelluric (AMT) geophysical survey in the immediate vicinity of the Mesa del Caballo development near Payson, Arizona in February, 2010. The purpose of the survey was to identify sub-surface structures that may be areas of increased hydraulic conductivity and subsequent areas of higher ground-water production. These sub-surface structures were then correlated to mapped or inferred surface geologic features to evaluate if these structures extended beneath the Mesa del Caballo community.

The geophysical survey measured the resistivity of the sub-surface material, which is controlled in part by the density and extent of pores (voids) in the rock material and the amount and conductivity of the fluid in the pore space. Bedrock, in this case granite and granitic type rock, is typically more resistant than unconsolidated, fractured, and/or saturated bedrock. The resistivity difference between the more competent granitic bedrock and decomposed and/or fractured bedrock was the key factor in mapping sub-surface fracture zones.

Two survey lines were run in the immediate vicinity of the property roughly perpendicular to mapped and/or inferred northwest and southeast trending structures passing through the development (Figure 1 in Attachment I). Details of the field operations and survey are presented in the Zonge report.

3033 N. 44th Street, Suite 120
Phoenix, Arizona 85018
(602) 955-5547 Fax (602) 955-7585

Phoenix, Arizona
Prescott, Arizona
Cottonwood, Arizona

Survey Results

Review of the geophysical survey results indicates that the upper 200 to 500 feet of material has the lowest measured resistivity values and that these values generally increase with depth. In two specific areas in Line 2 and in three areas in Line 1, the lower resistivity values extend to 2,000 feet in depth. In these zones, the deeper resistivity values are similar to values observed in the upper shallower zones. For example, in the southern resistivity zone mapped on Figure 1 (Attachment II), a resistivity of 6,310 ohm-m observed at a depth of 1,700 feet is the same value as observed at a depth of 700 feet. These resistivity values strongly imply a fractured rock zone exists versus the surrounding higher resistive competent rock material.

SGC has correlated the trends of these lower resistivity zones between Survey Lines 1 and 2, with the surface geologic map prepared by Gaeorama, Inc. (2007, Figure 2, Attachment II). This correlation is presented as Figure 3 (Attachment II) where the low resistivity zones in each survey line are extended through the project area along the general trends of the surface geologic structures mapped by Gaeorama (2007) and expanded by Mr. Mike Ploughe (Faults A, B, and C) as shown on Figure 1 (Attachment II).

These lower resistivity zones have been interpreted as fractured zones within the granitic bedrock associated with the local and regional structures, for example the Lockwood Gulch Fault trending from the southeast to the northwest through the development.

RECOMMENDED WELL LOCATIONS

Review of existing well information in and around the property from the records of the Arizona Department of Water Resources indicates that the local production wells range in depth from approximately 200 feet to 500 feet below land surface (bls). These wells have been completed in the shallower lower resistive material as noted in Figure 4 (Attachment II), and have reported yields ranging from less than 5 gallons per minute (gpm) to 25 gpm. The specific capacity of these wells range from 0.05 gallons per minute per foot of drawdown (gpm/ft) to 0.55 gpm/ft. Based on the local hydrogeologic conditions supported by the geophysical cross-sections, the yield of wells designed to be production wells completed to depths up to 500 feet will be in the 10 to 25 gpm range.

By completing new wells or extending existing wells (if possible) deeper into the similar less resistive/fractured rock, the yield of the wells would be expected to increase at rates similar to the calculated specific capacity of the shallower wells. For example, a 1,000 foot well drilled in the Southern Low Resistivity Zone could yield up to 380 gpm based on a specific capacity on 0.55 gpm/ft where the estimated saturated thickness is 800 feet. This type of projection based on specific capacity data is an upper end estimate because the fractured material tightens (becomes

less fractured/porous) with depth as observed in the geophysical cross-section data (Figure 3, Attachment I) resulting in declining specific capacity values and ultimately lower production rates. However, doubling the potential yield of wells to 50 gpm +/- by completing them to depths of 1,000 feet would be a realistic expectation. Extending wells deeper than 1,000 feet may further increase the well yield, but the specific capacity of the well would be expected to decrease with depth.

The preferred locations for larger capacity wells (1,000 feet +/-) are presented in Figure 3 (Attachment II). These locations are identified as the shaded lower resistivity zones where the low resistivity material, believed to be zones of fractured rock, extends to depths of 2,000 feet bls. Within these areas, two well sites have been identified based on location within the development and within the immediate vicinity of water system facilities that may better support the location of a production well.

Well sites, including Site A, in the Southern Low Resistivity Zone are preferred over the Northern Low Resistivity Zone, including Site B, because the width of the fractured zone in this area appears to be wider at depth. In addition, the Northern Low Resistivity Zone extending from Survey Line 1 is bifurcated and it is unknown where the fracture zone trends into one larger zone as observed in Survey Line 2 (between stations 700 and 1350).

Please call if you have any questions or require additional information.

Sincerely,
Southwest Ground-water Consultants, Inc.

Stephen D. Noel, R.G.
President

REGISTERED GEOLOGIST
CERTIFICATE NO.
17065
STEPHEN D.
NOEL
Date Signed: 4/15/10
ARIZONA, U.S.A.

Expires: 6/30/12

C: Myndi Brogdon

Attachments: I – Zonge Report, March 16, 2010
II – Figures
1 – Low Resistivity Zones
2 – Surface Geologic Map
3 – Proposed Production Well Locations
4 – Well Location Map

ATTACHMENT I

Zonge Report, March 16, 2010

EXHIBIT

C

Zonge Engineering and Research Organization, Inc
3322 E. Fort Lowell Rd
Tucson, AZ 85716
Office: (520)327-5501
Fax: (520) 325-1588
www.zonge.com

March 16, 2010

Attention: Myndi Brogdon
Brooke Utilities, Inc.
P.O. Box 82218
Bakersfield, CA 93380

Re: Geophysical AMT survey on the Mesa del Caballo Project

Survey Summary: On February 18th and 19th, 2010, Zonge Engineering and Research Organization, Inc. acquired geophysical natural source audio-frequency magnetotelluric (AMT) survey data on the Mesa del Caballo project, near Payson, Arizona. The survey was intended to assist in understanding the subsurface structure as it relates to groundwater production. Zonge's crew chief on this survey was Tim Nordstrom, and Brooke Utilities' Myndi Brogdon was the primary client contact for this survey. The survey consisted of two short lines, as shown on Figure 1. Due to the dense vegetation, the lines were brushed in advance of the field crew. Stations were spaced 200 feet apart, and the frequency range acquired was from 3 Hz to 1024 Hz. Lines 1 and 2 were oriented southwest to northeast, in order to intersect suspected faulting that is oriented northwest-southeast.

This type of geophysical survey maps subsurface changes in resistivity, which can be related to changes in pore spaces and pore fluids. Bedrock is often high resistivity relative to overlying material, and fractured, saturated bedrock is often lower resistivity than un-fractured bedrock. In addition, areas of high TDS in the groundwater are often more conductive than equivalent areas of low TDS. Variations in depth to bedrock, faulting, and other structural changes are often also evident as changes in resistivity. At the Mesa del Caballo site, the AMT survey was intended to delineate the location of suspected faults (see Figure 2), and to determine whether or not these faults appear low resistivity relative to background.

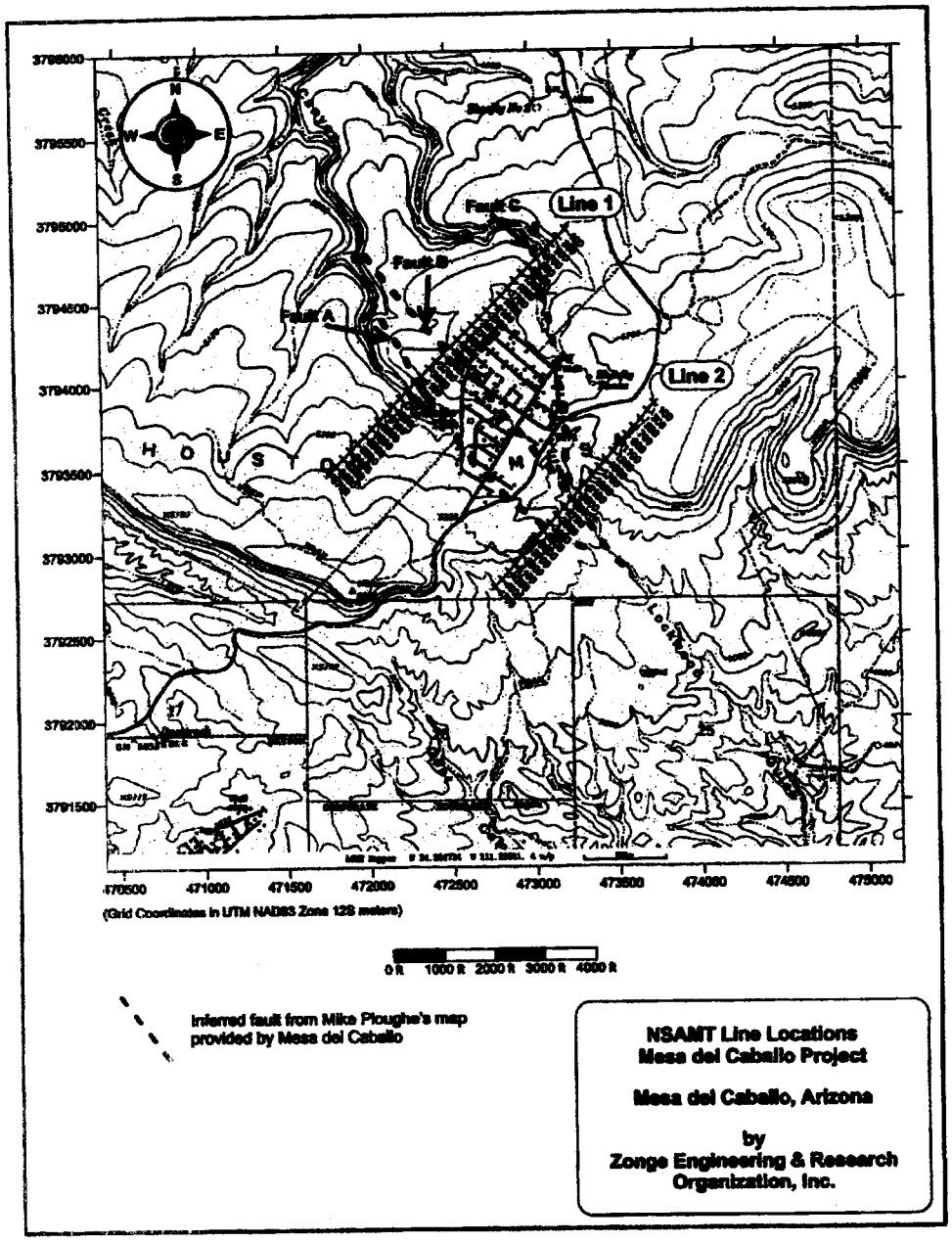


Figure 1- Line and station locations, with faults redrawn from Mike Ploughe's map.

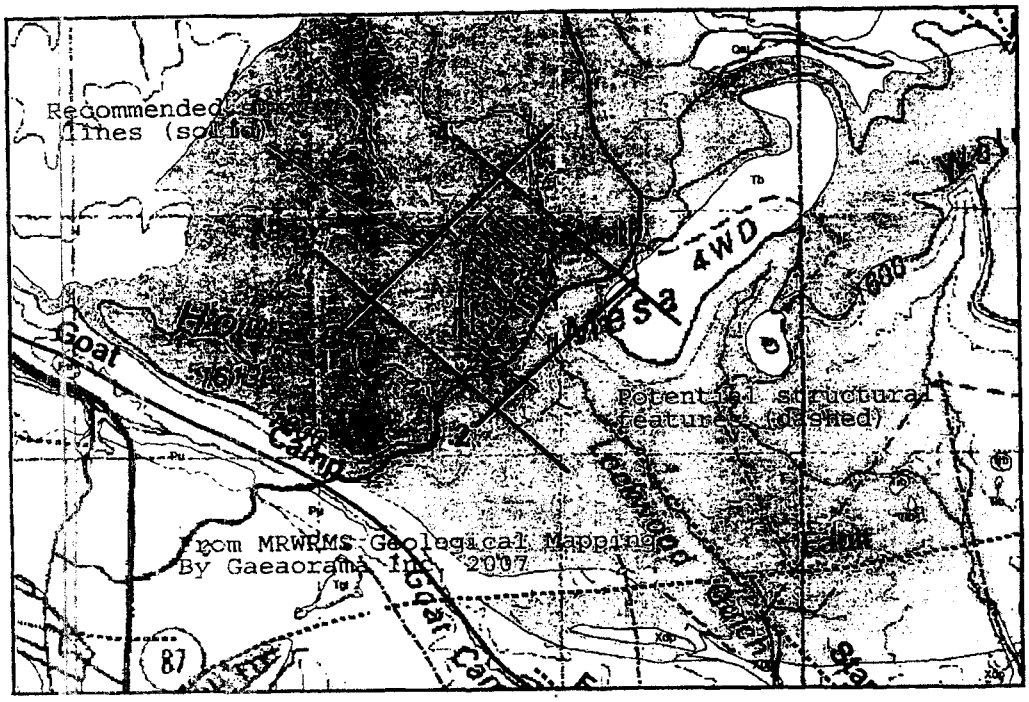


Figure 2- Fault location map provided by Brooke Utilities, showing lines recommended by Mike Ploughe.

Data at the Mesa del Caballo site were moderately noisy, primarily due to culture associated with the housing development itself. Culture includes man-made metallic conductors such as fences, pipelines, and power lines, as well as objects that actually radiate electrical noise such as active power lines, cathodically-protected pipelines, and radio transmitters. It is possible that the cultural effects have masked valid changes in resistivity, or that some of the changes in resistivity that are seen in the data are actually the result of culture.

Summary of Results: Lines 1 and 2 were parallel and intended to map suspected faults oriented approximately northwest-southeast. For discussion purposes, the suspected faults are called Faults A, B, and C, as shown on Figure 1. Figure 3 shows the smooth-model inversion results in the form of the resistivity cross sections for each line. On these cross sections, low resistivities

are shaded toward the red end of the spectrum (yellow-orange-red), and high resistivities are shaded toward the blue end of the spectrum (green-blue). Station numbers, in feet, are shown along the top of each cross section, elevations in meters are down the right side of the plot, with approximate depth in feet down the left side of the plot.

Line 1 was located northwest of Mesa del Caballo, and crossed all three faults. According to geologic maps of the area, this entire line was probably on a thin layer of Tapeats Sandstone, which overlies gneissic granitoid. Resistivities along this line are very high, as would be expected from the geology and from Zonge's prior work in the general area. North of station 1900, surface resistivities are noticeably lower than south of that location, suggesting a possible contact or change in surface material. At depths greater than 400 feet, resistivities between stations 4200 and 3600 are lower than background; this area correlates to the region between Faults A (which intersects the line at station 4200) and B (which intersects the line at station 3400). Fault C, which intersects this line at station 900, is not associated with any change in resistivity.

Line 2 was located southeast of Mesa del Caballo, and according to geologic maps is probably located on the gneissic granitoid. In good agreement with Line 1, the northern part of Line 2 is low resistivity at the surface, from approximately station 1500 to the north end of the line. According to the geologic map, this part of the line (approximately station 1500 to the north end of the line) is on tertiary basalt, which may explain the low resistivities. (Note that Line 1, which also shows surface low resistivities on the north end of the line, does not appear to cross the tertiary basalt, according to the geologic map.) Line 2 crosses Fault A at approximately station 3400, and a narrow zone of low resistivities is evident centered at station 3500. Faults B and C merge, and cross Line 2 at station 2600, but there is no significant change in the resistivity in that vicinity. In the deeper data (greater than 400 feet), low resistivities are evident, however, from station 1300 to station 600.

In this environment, where fractured zones in the bedrock may be more likely to produce more groundwater than un-fractured areas, it is encouraging that an independently inferred fault from the geologic map (Fault A) shows lower resistivities than background on both lines that it crosses. This zone of decreased resistivity is centered at station 3900 on Line 1 and station 3500 on Line 2, and may represent a fractured bedrock zone.

PROJECT LOGISTICS

Survey Summary: The AMT lines were acquired using an electric-field receiver dipole size of 200 feet. Electric-field measurements were made in groups, or "set-ups", of five dipoles concurrently. For each set-up of electric-field measurements, a magnetic field measurement was made simultaneously at the center of the set-up. A total of 58 stations were acquired on the two lines.

The line locations were suggested by Mike Ploughe and Brooke Utilities in conjunction with Zonge, based primarily on the location of inferred faults and on cultural features in the area. Endpoints of the lines were provided to Brooke's survey crew, who flagged the line location for the brush cutting crew. Lines 3 and 4 were considered optional, and have not been surveyed or brushed to date. The Zonge crew used a GPS to verify the locations of the lines. Station location coordinates are appended below to this report.

Field Instrumentation: The receiver used for the AMT survey was a Zonge GDP-32II multi-purpose receiver. This receiver is a backpack-portable, 16-bit, microprocessor-controlled receiver capable of gathering data on as many as 16 channels simultaneously. The electric-field signals were sensed using non-polarizable porous pot electrodes, connected to the receiver with 16-gauge insulated wire. The AMT magnetic-field signal was sensed with a Zonge Ant-4 magnetic field antenna.

Data Quality: Data quality was relatively good throughout this project, and good repeatability between stacks of data was achieved. Standard Zonge field procedure requires that the receiver operator make multiple measurements of each data point while monitoring real-time standard-error values displayed on the screen of the receiver and correlation coefficients. For AMT, multiple blocks of the data are also displayed graphically as resistivity-versus-frequency curves (plotted on a log-log scale), with error bars denoting data scatter for the operator in the field.

Cultural Contamination: A grounded fence crossed Line 1 as shown on Figure 3, but no other known culture intersected the lines. The Mesa del Caballo subdivision is very close to both lines, however, and noise is apparent in the data, particularly around 60 Hz, as would be expected.

Smooth-Model Inversion: Briefly, smooth-model inversion mathematically "back-calculates" (or "inverts") from the measured data to determine a likely location, size and depth of the source or sources of resistivity changes. The results of the smooth-model inversion are intentionally gradational, rather than showing abrupt, "blocky" changes in the subsurface.

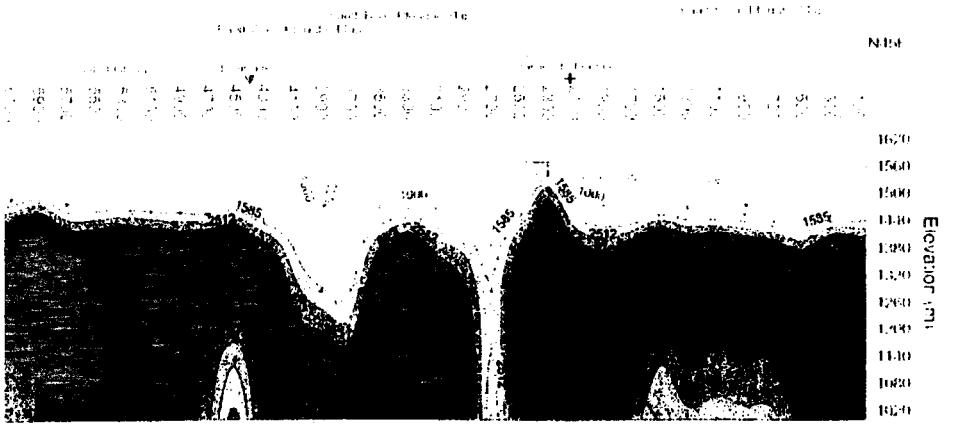
The AMT lines were modeled using both 1D and 2D smooth-model inversion programs, called SCSINV and SCS2D respectively. Both sets of model results are used in the interpretation, although Figure 1 shows 1D results, since these results preserve narrow features. The 2D model differs from the 1D model in that the iterative adjustment utilizes information from adjacent stations, and when modeling a given station, it does not assume that the subsurface changes in resistivity only occur vertically. As a result, 2D results are usually smoother horizontally than the 1D results. However, 2D results also often smooth out real, but weak, lateral changes, and when lines are very short, the 2D models often overemphasize and exaggerate small, local features and noise.

The inversion results should not be considered a unique solution, and some ambiguity remains in any mathematical representation of the data.

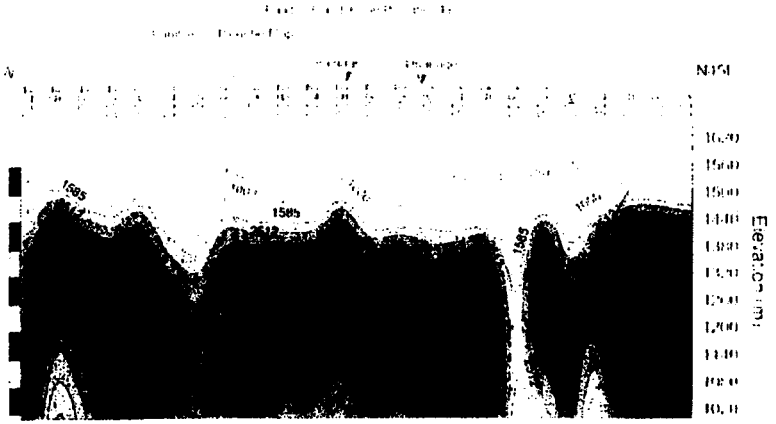
Respectfully submitted.

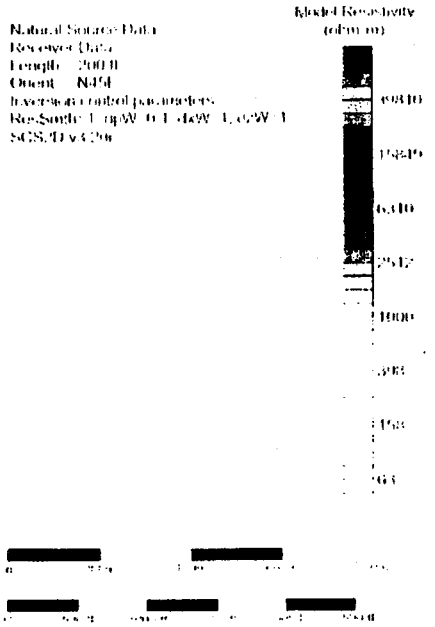
Norman Carlson
Chief Geophysicist
Zonge Engineering & Research Organization, Inc.
3322 E Fort Lowell Road
Tucson, AZ 85716 USA

Resistivity Cross Section- Line 1



Resistivity Cross Section- Line 2





Mesa Del Caballo Project
Lines 1 and 2

1D Smooth-Model Inversion
Scalar NSAMT Data
by Zonge Engineering

Station Locations in UTM NAD83 Zone 12S meters

Line	Station Center	Easting	Northing
1	100	473217	3794929
1	300	473173	3794885
1	500	473129	3794841
1	700	473085	3794797
1	900	473041	3794753
1	1100	472997	3794709
1	1300	472953	3794665
1	1500	472909	3794621
1	1700	472865	3794577
1	1900	472822	3794532
1	2100	472778	3794488
1	2300	472734	3794444
1	2500	472690	3794400
1	2700	472646	3794356
1	2900	472602	3794312
1	3100	472558	3794268
1	3300	472514	3794224
1	3500	472470	3794180
1	3700	472426	3794136
1	3900	472382	3794092
1	4100	472338	3794048
1	4300	472294	3794004
1	4500	472250	3793960
1	4700	472206	3793916
1	4900	472162	3793872
1	5100	472119	3793827
1	5300	472075	3793783
1	5500	472031	3793739
1	5700	471987	3793695
1	5900	471943	3793651
1	6100	471899	3793607
1	6300	471855	3793563
1	6500	471811	3793519
1	6700	471767	3793475
2	100	473735	3793870
2	300	473693	3793823
2	500	473650	3793776
2	700	473608	3793729
2	900	473565	3793682
2	1100	473523	3793635
2	1300	473480	3793588
2	1500	473438	3793541
2	1700	473396	3793494
2	1900	473353	3793447
2	2100	473311	3793400
2	2300	473268	3793353

2	2500	473226	3793305
2	2700	473183	3793258
2	2900	473141	3793211
2	3100	473098	3793164
2	3300	473056	3793117
2	3500	473014	3793070
2	3700	472971	3793023
2	3900	472929	3792976
2	4100	472886	3792929
2	4300	472844	3792882
2	4500	472801	3792835
2	4700	472759	3792788

Exhibit B

Central Arizona Pump,LLC.
141 S. Oldham Rd.
Payson, AZ. 85541
(928) 476-5440 Phone / Fax

Invoice

DATE	INVOICE #
4/26/2010	BM22266

BILL TO	SHIP TO
Brooks Utilities	

QUANTITY	DESCRIPTION	RATE	AMOUNT
1,000	Drilling	19.00	19,000.00T
	Surface Casing 21' Steel & Concrete	500.00	500.00T

Sales Tax (5.123%)	$998.99
Total	$20,498.99
Payments/Credits	$0.00
Balance Due	$20,498.99

A 1 1/2% charge will be added to all accounts over 30 days

141 S. Oldham Rd.
Payson, AZ. 85541
Phone # (928) 476-5440

Date	Estimate #
5/21/2010	323

Name / Address
Brooks Utility mesa dell

Description	Qty	Cost	Total
Drilling 7 7/8 drilled hole with 6" stabelizer	1,000	25.00	25,000.00T
PVC Casing 6 certalock	1,000	6.59	6,590.00T
6" steel casing is needed 15.90 per foot			
Surface Casing 21' Steel & Concrete		500.00	500.00T
6" FPS 75 gpm 25 hp sumersible motor with 3 year warranty with sub monitor 460 volt 3 phase		5,719.00	5,719.00T
2 1/2 galvanized pipe	945	5.84	5,518.80T
Submersible Pump Wire 4-4	945	4.80	4,536.00T
Splice Kit	1	19.99	19.99T
Check Valve 2 1/2"	4	325.00	1,300.00T
460 volt control panel with sub monitor		2,750.00	2,750.00T
Pump Installation		1,475.00	1,475.00T

Subtotal	$53,408.79
Sales Tax (5.123%)	$2,736.13
Total	$56,144.92

Total is based on materials & labor to install system. This estimate is subject to change based on otherwise required time & materials.

Signature_____

Exhibit C

ACCOUNT NUMBER	DATE BILL PRINTED
00009634	06/28/2012
PRESENT READING	SERVICE FROM
Svc 419000	05/23/2012
PREVIOUS READING	SERVICE TO
Svc 54000	06/22/2012
GALLONS USED	DAYS USED
365000	30

DESCRIPTION	AMOUNT
Service/Water	2190.21
Service/Sales Tax	212.89
Service/Water Tax	2.37
Service/ADWR Fee	0.21

CURRENT BILL DUE DATE	AMOUNT DUE AFTER DUE DATE
07/16/2012	2,405.68

AMOUNT DUE AFTER DUE DATE

SERVICE ADDRESS: 1010 S STOVER ROAD

KEEP THIS STUB FOR YOUR RECORDS

RETURN THIS STUB WITH PAYMENT TO:
PAYSON WATER DEPARTMENT
TOWN OF PAYSON
303A N. BEELINE HIGHWAY
PAYSON, AZ 85541
(928) 474-5242

PRESORTED
FIRST CLASS MAIL
U.S. POSTAGE PAID
PAYSON, AZ 85541
PERMIT #1

ACCOUNT NUMBER	DUE DATE	AMOUNT DUE AFTER DUE DATE	AMOUNT DUE BY DUE DATE
00009634	07/16/2012		2,405.68

Pay online w/ credit card or e-check: paysonwater.com
OR sign up for Automatic Bank Draft for no hassle payments!

TEMP - RETURN SERVICE REQUESTED

PAYSON WATER COMPANY (BROOKE UTIL)
1010 S STOVER ROAD
PAYSON, AZ 85541

CO. # 13

ACCT # 08-01-7170.01 $ 1,885.00 — MDC

ACCT # 04-01-7170.01 $ 520.68

ACCT # _____ $ _____

ACCT # _____ $ _____

DESC: _____

APPROVED BY: DG

DATE: 7-3-12

EVP SYSTEM

286,000 GALLONS HAULED TO MDC 5-25-12 TO 6-21-12

79,001 GALLONS HAULED TO EVP 6-2-12 TO 6-21-12