



Southwest Ground-water Consultants, Inc.

October 26, 2006

Bob Hardcastle
Brooke Utilities, Inc.
rth@brookeutilities.com

SUBJECT: PINE-STRAWBERRY WATER IMPROVEMENT DISTRICT

Dear Mr. Hardcastle:

Southwest Ground-water Consultants, Inc. (SGC) has completed its review of the Highland Water Resources Consulting Inc (HWRC) report dated May 30, 2006 regarding the K2 Well Site Evaluation with respect to ground-water potential. Our summary and conclusions are presented below.

REFERENCES

SGC has reviewed the following documents and met with Mr. Michael Ploughe regarding the K2 Well Site Evaluation.

- Letter to PSWID, May 30, 2006, K2 Well Site Evaluation – Groundwater Resource Potential, Michael J. Ploughe, P.G. HWRC.
- Report on the Drilling of an Exploratory Borehole Near Strawberry, Arizona (May 18 – June 2, 2000), Frank Corkhill, Arizona Department of Water Resources, Hydrology Division, August 9, 2000.
- Hydrogeology of the Mogollon Highlands, Central Arizona, Scientific Investigations Report 2004 – 5294, John T.C. Parker, William C. Steinkampf, and Marilyn E. Flynn, US Geological Survey.
- Hydrogeological Study for the Demonstration of an Adequate Water Supply, Strawberry Hollow Development, Gila County, Pine, Arizona, September 28, 2005, HWRC, Inc.
- Report of an Isotope Study of Groundwater from the Mogollon Highlands Area and Adjacent Mogollon Rim, Gila County, Arizona, DRAFT, C.J. Eastoe, Ph.D, University of Arizona.

HWRC May 30, 2006 Report

Brooke Utilities have requested that 4 specific questions be answered with respect to the review of the HWRC Letter Report of May 30, 2006. Those questions are addressed below.

- a) The conclusions presented in the HWRC Report are based on the current understanding of the regional aquifer system. These conclusions are reasonable based on the data we have reviewed and the data presented by HWRC. HWRC recommends that the deep regional aquifer in the Pine area be investigated prior to drilling K2 and transporting that water to Pine for several reasons: 1) transmission expense, 2) shallower well depths, 3) minimize water rights issues, and 4) potential partnerships with local water users.
- b) The yield of the K2 well was not specifically estimated by HWRC, but it was noted that a significant well at that location was defined as a well yielding 200 gpm +. There are very few wells in the deep regional aquifer with reported yields in the 200 gpm range. Based on review of the hydrogeology of the targeted deep regional aquifer, a yield in the range of 100 to 200 gpm is possible. Therefore, a well with a sustainable yield of 150 gpm is a realistic goal, but has little supporting documentation.
- c) The conclusions presented in the HWRC report are based on interpretation of several reports and published information from several reputable sources and agencies. The local and regional hydrogeology is complex and there are not sufficient data to state categorically that a well drilled at this location to this depth will produce a specific amount of ground water. The HWRC reports reviews and incorporates the available hydrogeologic data together with their field experience in the region to produce their conclusions and recommendations. The state of the science supports the conclusions presented. However, the addition of new data will enhance the understanding of the regional aquifer which may either agree or disagree with current thinking.
- d) The deep aquifer system is the target system in both Pine and Strawberry. Drilling production wells in this aquifer is difficult and expensive. Other than logistics and ancillary expenses, anticipated yields are expected to be similar in both areas.

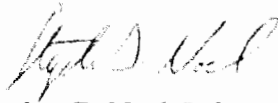


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Please call if you have any questions or require additional information.

Sincerely,

Southwest Ground-water Consultants, Inc.



Stephen D. Noel, P.G.
President

