

K2 Test Well Construction Project

Project Team

Pine Water Company

Pine-Strawberry Water Improvement District

HydroSystems, Inc.

Southwest Ground-water Consultants, Inc.

February 21, 2008



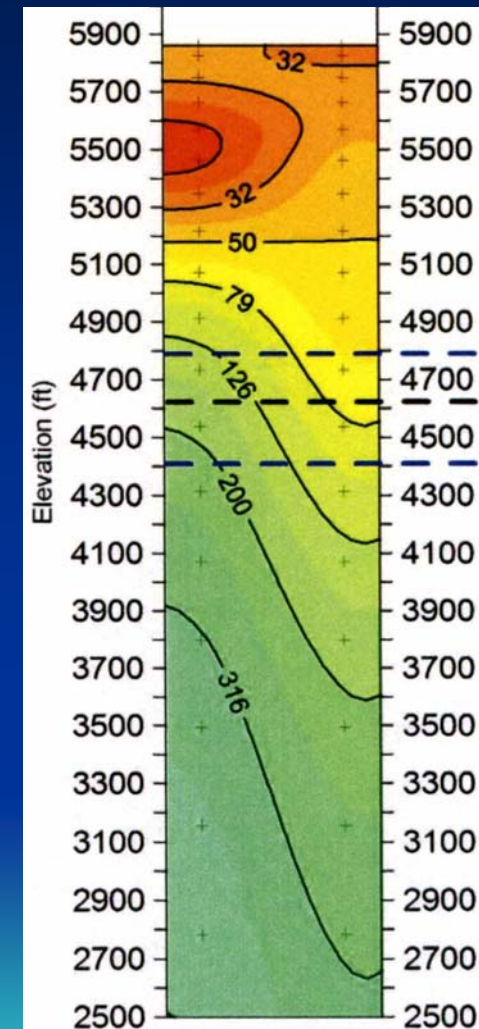
Zonge Geophysical Analysis

- Analysis Method: CSAMT
 - Measure Changes in Electrical Resistance
 - Allows Deep Measurements
 - Resistance Related to Water Content
 - Higher Water Content: Low Electrical Resistance
 - Low Water Content: High Electrical Resistance



Zonge Geophysical Results

- Limited Area with No Lateral Contrast Information
- Shallow Area with Very High Water Content
 - Likely Associated with Clay/Shale Sediments
- Deep Area with Moderately High Water Content
 - May be Associated with Fault/Fracture Features
- Consistent with Local Geology



Test Well Schedule Overview

- Permitting: February 08 – June 08
- Site Preparation: February 08 – March 08
- Power Supply: February 08 – March 08
- Long Lead Items: February 08 – March 08
- Well Drilling and Construction: April 08 – June 08
- Well Testing and Sampling: June 08 – July 08
- Well Completion: July 2008



Permitting

- Notice of Intent (NOI) to Drill Permit with ADWR (In Progress)
- Deminimus Discharge (AZPDES) Permitting with ADEQ (Completed)
- Approval to Construct with Gila County (In Progress)



Site Preparation

- Tree Removal (Done)
- Construct Retaining Wall (In Progress)
- Drill Pit Excavation (Design Complete)



Power Supply

- Negotiate/Contract APS Service (In Progress)
- Excavate Trench
- Remove Old Transformer
- Gila County Inspection and Approval



Long Lead Items

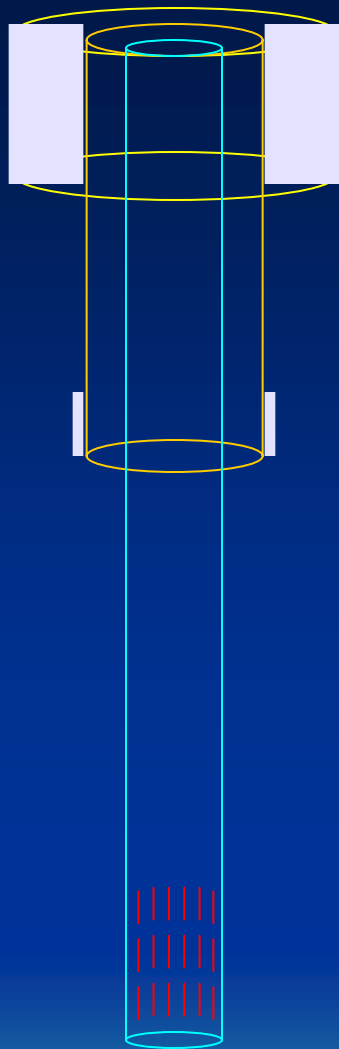
- Pump and System Controls (RFQ in Progress)
- Advanced Casing Delivery (In Progress)



K2 Test Well Drilling and Construction

- Driller RFP (in Progress)
- Estimated Cost of Well (\$276K PSWID)
- Drill Temporary Surface Seal
- Drill and Install 10" Intermediate Casing and Seal
- Drill and Install 8" Lower Casing
- Logging and Perforations
- Preliminary Airlift Development





← 16-inch Temporary Surface Casing (0-60 feet)
← Surface Seal (0-60 feet)

← 10-inch Intermediate Casing (0-900 feet)

← Intermediate Cement Seal (860-900 feet)

← 8-inch Lower Casing (0-1,700 feet)

← Screen Perforations (1,400-1,700 feet)

K2 Test Well Development and Testing

- Pump RFQ in Progress
- Install Pump Equipment
- Pump Development
- Aquifer Testing
- Water Quality Sampling
- Calculation of Long Term Sustainable Yield



Completion of Construction

- Design Completed
- Install Underground Electrical
- Pour Concrete Pad
- Install Security Fence
- Gila County Inspection and Approval
- ADEQ Approval of Construction
- BUI Operational Turnover (July 29, 2008)



Summary

- Aggressive Scheduling
- Risks
 - Geology (Time)
 - Availability of Steel Casing (Time)
 - Early Procurement of Pump Equipment Prior to Testing (Monetary)
- Rewards
 - Groundwater in Pipeline by the End of July (Priceless)

