ARIZONA DEPARTMENT OF WATER RESOURCES
Office of Assured and Adequate Water Supply
3550 North Central Avenue, Phoenix, Arizona 85012
Telephone 602 771-8500
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Janet Napolitano
Governor

Herbert R. Guenther
Director

June 25, 2007

Mr. Roy Tanney
Arizona Department of Real Estate
2910 N. 44th Street
Phoenix, Arizona 85018

Water Report #53-700353.0000
Subdivision Name: Payson Townsite (Map 64 GCR); ROS 3121 - Parcels A – E and ROS 3235 - Parcels A1 -D1
Owner: K & S Desert Ventures, LLC, an Arizona limited liability company as to an undivided 1/2 interest and Azcalreia Apache, LLC, an Arizona limited liability company as to an undivided 1/2 interest, as owners
Number of lots: 9
County: Gila
Township 10 North, Range 10 East, Section 4
Lots 1 thru 9, inclusive

Water provided by: Town of Payson
Water Type: Groundwater

Current water depth: No Information Provided

Estimated 100-year depth: No Information Provided
Current decline rate: No Information Provided
Basin: Verde Canyon

Dear Mr. Tanney:

Pursuant to A.R.S. § 45-108, the Department of Water Resources has reviewed the available information pertaining to the water supply for the above-referenced subdivision. This letter constitutes the Department's report on the subdivisions water supply as required by A.R.S. § 45-108(A).

Adequacy of the 100-year water supply was reviewed by the Department with regard to physical, legal and continuous availability, water quality, and financial capability. No information has been provided to the Department that indicates that the applicant has satisfied the adequate water supply requirements as set forth in A.A.C. R12-15-701 *et seq.* Therefore, the Department of Water Resources finds the water supply to be *inadequate* to meet the subdivision's projected needs.

Pursuant to A.R.S. §32-2181(F) a summary of the Department's report for those with an inadequate water supply be included in all promotional material and contracts for sale of lots in the subdivisions. We suggest the following synopsis:

> "Payson Townsite (Map 64 GCR); ROS 3121 - Parcels A - E and ROS 3235 - Parcels A1 -D1 subdivision is being served groundwater by Town of Payson. The developer has chosen not to demonstrate a 100-year adequate water supply. The applicant has not demonstrated that the criteria for physical, legal and continuous availability, water quality, and financial capability have been met. Therefore the Department must find the water supply to be *inadequate*. For additional information please contact Rosemary Lopez, of the Office of Assured and Adequate Water Supply at (602) 771-8585."

The developer, pursuant to A.R.S. §32-2181(F), may suggest a different summary of this report, but it must contain the above elements and/or the Department's findings.

This letter is being forwarded to your office as required by A.R.S. § 45-108. This law requires the developer to hold the recordation of the subdivision's plat until receipt of the Department's report on the subdivision's water supply. By copy of this report, the Gila County Recorder is being officially notified of the developer's compliance with the law.

Sincerely,

Sandra Fabritz-Whitney
Assistant Director
Water Management Division

cc: Buzz Walker, Public Works Director, Town of Payson
Gila County Recorder
Ralph O Bossert, Tetra Tech, Inc.
Rosemary Lopez, Office of Assured and Adequate Water Supply