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

July 11, 2007

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

Water Report 53-700361.0000
Subdivision Name: Walnut Valley Ranch
Owner: Pioneer Title Agency, Inc., an Arizona corporation, as Trustee under Trust No. 318209; and David B. McCartney, husband of Melva D. McCartney, as his sole and separate property
Number of lots: 43
County: Cochise
Township 19 South, Range 22 East, Section 32

Water provided by: Lucky Hills Water Co.
Water Type: Groundwater

Current water depth: N/A
Estimated 100-year depth: N/A
Current decline rate: N/A
Basin: Sierra Vista

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. Information available to the Department 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 adequate to meet the subdivision's projected needs. Any material change to the subdivision plat or its water supply plans may invalidate this decision. See A.A.C. R12-15-708.

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 Cochise County Recorder is being officially notified of the developer's compliance with the law. Because of the possibility that a future court proceeding could result in a legal determination that water withdrawn from wells in this area is surface water, the Department recommends that your office include the following statement in all promotional material and contracts for sale of lots in the subdivision:

"Pursuant to A.R.S. § 45-108 and A.A.C. R12-15-701 *et seq.*, the Department has determined that the water supply for the Walnut Valley Ranch subdivision is adequate, *i.e.* that the water supply is physically, continuously and legally available to satisfy the subdivision's annual estimated water demand, that the water supply is of suitable water quality, and that the applicant has demonstrated the financial capability to construct adequate delivery, storage and treatment works. However, the legal availability of the water withdrawn from wells in this area may be the subject of court action in the future as part of a determination of surface water rights. Whether future court action will have an effect on the legal availability of the water supply for the proposed subdivision cannot be determined at this time."

If you have any questions, please contact Richard Obenshain at (602) 771-8622.

Sincerely,

Sandra Fabritz-Whitney

Sandra Fabritz-Whitney
Assistant Director
Water Management Division

cc: Cochise County Planning and Zoning
Cochise County Recorder
David McCartney
Richard Obenshain, Office of Assured and Adequate Water Supply