

potential beneath the Project through a number of regional scale hydrogeologic, geophysical, and geological investigations. M3 Eagle's water resources plan includes: 1) aquifer characterization, 2) hydraulic testing, 3) geochemical modeling, 4) numerical modeling, and 5) ground water monitoring. M3 Eagle has enlisted Boise State University's Geosciences Department and the University of Idaho's Department of Geological Sciences to conduct geophysical investigations and numerical simulations, and to provide peer review of all of Hydro Logic's completed reports. In addition, M3 Eagle has sponsored a Masters of Science thesis through the University of Idaho to construct an independent ground water model as an additional means to evaluate the effects of M3 Eagle's ground water development.

Hydro Logic began the ground water studies in March 2006. Attached to this Amended Application as Exhibit 4 is Hydro Logic's May 4, 2007 *M3 Eagle Regional Hydrogeologic Characterization North Ada, Canyon and Gem Counties, Idaho: Year-One Progress Report* ("Year 1 Progress Report"). M3 Eagle already has made copies of this available to interested parties and to the Idaho Department of Water Resources ("IDWR"). Future M3 Eagle-sponsored research by Hydro Logic, including reports on structural geology, geochemical ground water modeling, water budget, and numerical ground water modeling, will be made available to the IDWR as these studies are completed. It is anticipated that some of these reports will be available in time to support IDWR's processing of this application.

Further studies, including aquifer tests, are planned. As a part of this work, Hydro Logic has evaluated the results of other ground water investigations in the area. Hydro Logic is also developing a prospectus for a proposed long-term multiple-well aquifer test using existing wells on the Project property and adjacent domestic wells as observation wells and a proposed new production/test well as a pumping well. This prospectus will be submitted to IDWR. M3 Eagle anticipates that IDWR and nearby well owners/water users will participate in the testing.

Reuse Water. M3 Eagle is collaborating with licensed professional engineers to develop a system to recapture and reuse wastewater accumulated by the Project. M3 Eagle will construct one or more wastewater treatment plants that will treat sewage effluent to Class A standards (i.e., potable), and lined ponds to hold the treated water until it is reused. All of this Reuse Water will be used within the Project for irrigating common areas, golf courses, parks, community gardens and similar areas, aesthetic storage, and/or (subject to future IDWR approval) aquifer recharge or aquifer storage and recovery. As Reuse Water becomes available, it will be provided for these purposes using water lines and facilities that are separate from the Project's potable water supply systems.

M3 Eagle's existing surface and ground water rights. M3 Eagle holds 17.27 shares, and anticipates obtaining 0.66 additional shares, of stock in Farmers' Union Ditch Co., Ltd. (the "Ditch Company"), a mutual irrigation company diverting water from the Boise River. These shares entitle M3 Eagle to delivery, as available, of 3.94 cfs of flows during the irrigation season for irrigation of approximately 197 acres in the southwest corner of the Project lands. These shares also entitle M3 Eagle to receive storage water under the Ditch Company's contracts with the U.S. Bureau of Reclamation. M3 Eagle intends to continue using the irrigation water to which it is entitled under these shares on 197 acres of Project land to which they are appurtenant.

**Water Rights / Ditch Company Shares Owned by M3 Eagle
(previously AR Boise) as of August 24, 2007**

- 1) **63-22899**
 - a. Gwynn - 8400 W. Equest Lane (10 acres)
 - b. Farmers Union Ditch Company, Ltd. = 0.67 share.
 - c. Includes associated storage rights.
 - d. Water right and shares transferred to AR Boise 9/15/05 under Certificate #2797

- 2) **63-32170**
 - a. Moody - 8285 W. Equest Lane (10 acres).
 - b. Farmers Union Ditch Company, Ltd. = 0.67 share transferred to AR Boise on 9/15/05 under Certificate #2797 (combined with Gwynn .67 FUD shares).
 - c. Includes associated storage rights.
 - d. Notice of Claim to Water Right filed September 14, 2005.
 - e. Department of Water Resources re: 63-32170 preliminary recommendation.
 - f. No objections were filed as of 4/21/06.
 - g. Received Partial Decree from District Court dated 2/16/07.

- 3) **63-15786**
 - a. Idavue - (620 acres).
 - b. Transferred to AR Boise 11/4/05.

- 4) **63-10669**
 - a. M&H Parcel II - 5004 W. Hwy 16 (29 acres).
 - b. Transferred to AR Boise on 2/24/06.

- 5) **63-17379**
 - a. M&H Parcels I and III (126 acres).
 - b. Transferred to M3 Eagle LLC on 7/20/06.
 - c. Farmers Union Ditch Company, Ltd. = Certificate #2762 for 7.3 shares.
 - d. Transferred to AR Boise Certificate #2812 for 7.3 shares on 2/21/06.
 - e. Includes associated storage rights.

- 6) **63-22879 (SVL)**
 - a. Received transfer of all 3 to M3 Eagle LLC on 5/25/07.

- 7) **63-22880 (SVL)**
 - a. Received transfer of all 3 to M3 Eagle LLC on 5/25/07.

- 8) **65-13548 (SVL)**
 - a. Received transfer of all 3 to M3 Eagle LLC on 5/25/07.

- 9) **63-20181**
 - a. Green - 4490 N. Hwy 16 (20 acres).
 - b. Transferred to M3 Eagle on 06/15/06.
 - c. Farmers Union Ditch Company, Ltd. = Certificate #2819 for 1.33 shares transferred to AR Boise on 5/4/06.
 - d. Includes associated storage rights.

- 10) **Davis**
 - a. 8666 Equest Lane, Eagle (10 acres).
 - b. Farmers Union Ditch Company, LTD. = 0.66 shares.
 - c. Lost Certificate - Affidavit in process.
 - d. Includes associated storage rights.