

February 9, 2009

Idaho Department of Water Resources Attn: Gary Spackman, Administrator 322 E Front Street PO Box 83720 Boise, ID 83720

Re: DKJ Farms LLC Water Rights 22-265E, 22-4195, and 22-13479

Dear Mr. Spackman,

This letter was prepared as a follow-up to the Jeppesen water right issues on Moody Creek. As you are aware, we prepared a new Application for Permit for a water right on the basis that surface water rights would suffice for mitigation of a new ground water right. The processing of the permit application necessitated the employment of the ESPA Spreadsheet tool of which the IDWR state office so graciously participated in devising a specific spreadsheet tool for this particular analysis. Using the provided tool revealed depletive affects to both the Henrys Fork and the South Fork rivers, especially the Heise reach of the South Fork of the Snake River. As a result, we have conducted a limited geologic analysis of the Rexburg Bench environs to determine the validity of underlying assumptions built into the aquifer model.

This brief report demonstrates that the geology and hydrology of the Rexburg Bench does not support the ESPA Spreadsheet Analysis reflecting potential depletive affects on the South Fork reach of the Snake River.

This report was prepared in collaboration with Dr. Glenn F. Embree, PhD, Principal geologist of Geologic Exploration & Consulting. Dr. Embree has been studying the geology of the Rexburg area since 1974. He has worked with the United States Geological Survey for many years on projects throughout Eastern Idaho and is considered an expert relative to the geology of this area. Dr. Embree compiled published and unpublished data from his research along with the research of fellow scientists to prepare the enclosed report.

Regards,

W. Roger Warner

Enclosures: Jeppesen Report, including Figures 1 and 3 attached;

Vicinity Map;

Map of the General Geology;

Map of the Known Geothermal Wells;

Glenn F Embree Resume

Jeppesen Report

Introduction:

The objective of this brief report is to provide an overview of the most recent available geologic data, which will increase our understanding of the subsurface structure and stratigraphy, and their impact on groundwater flow in the Rexburg Bench/Heise area. We have examined 1:24,000 scale geologic maps produced by Doherty, D.J., Embree, G.F., Hoggan, R.D., and Prostka, H.J. who worked in the area between 1970 and 2008. The U.S. Geological Survey, Idaho Geological Survey, BYU-Idaho, Idaho State University, and the INL and its contractors funded most of this mapping. Some of this mapping was published as a U.S.G.S Open-File Report 78-1009 but more recent mapping has not yet been published. Subsurface data was obtained from Haskett (1972), Schneider (1980), and Welhan (2009). We have also incorporated data from geothermal exploration wells drilled in 1978 through 1980 (Embree, et al, 1978; Stoker et al, 1980; Energy Services Inc., 1981).

Two structure sections (Figure 1) were constructed from the data described above in order to help predict the direction of ground water flow on the Rexburg Bench. Due to the scarcity of deep wells and the absence of deep exposures on the southern portion of the bench, the structure within the Paleozoic/Mesozoic package has been stylized, based on projection of structural trends from exposures to the south. The package of volcanic rocks that makes up the Heise Volcanic Field is also quite complex due to the mixture of regionally extensive ignimbrite sheets and local rhyolite lava flows and tephra deposits, as well as the effect of paleotopography on the distribution of those units. The dips of major Heise ignimbrites, the Huckleberry Ridge tuff and basalt units, on the other hand are relatively well constrained and are consistent with our understanding of the regional distribution of major units. Stylized bedding planes within the Trh unit reflect the typical onlap relationship seen within this package (Figure 2 and 3). Older units generally dip slightly more steeply and extend up slope to higher elevations than the overlying units. Each ignimbrite sheet pinches out against the unit below. This suggests that each successive sheet lapped onto a dipslope of the previous unit. The time intervals between these major, regionally distributed units is on the order of one to two million years, leaving time for a few degrees of tectonic tilt to develop on each unit prior to the deposition of the next sheet.

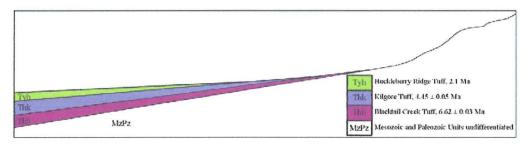


Figure 2. Stylized bedding planes that reflect the typical onlap relationship.





Interpretation:

Surface geology and geomorphology along with the well data are represented in structure sections A-A' and B-B'. All of this data indicate that there is little likelihood that ground water from the Moody Creek area is a significant contributor to the South Fork of the Snake River. We believe that the proposed well in the SW ¼ of the NE ¼ of Section 20, T 5 N, R 41 E, will have no adverse effect on the South Fork of the Snake River, for the following reasons:

- The existence of several steeply dipping thrust faults and intense folding within the Mesozoic and Paleozoic rocks should inhibit flow through that structural- stratigraphic package into the South Fork. Steep east dipping fold limbs and the presence of numerous shale units within the Mesozoic strata would produce significant barriers.
- 2. The dips within the Heise Volcanic units range from ~5° to ~20° to the northeast or north, promoting flow to that direction, away from the South Fork.
- 3. The dips in the post Heise units are more gentle, but both sections A-A' and B-B' indicate that they dip about 2° to 5° to the north or northwest. This is consistent with the findings of Haskett (1972) reporting a dip of 1° to 2° to the northwest.
- 4. The onlap relationships of the Heise Volcanic units cause them to pinch out to the southwest, further inhibiting southwestward flow (Figure 2).
- 5. A northwest trending volcanic rift zone lies approximately one mile southwest of the proposed drill site. This rift zone appears to be a continuation of the Grand Valley Fault that forms the northeast margin of the Swan Valley Graben. On the Rexburg Bench there are at least 10 basaltic vents located along this rift zone. It is expected that this rift will behave similarly to the major northwest trending rift zones which cross the Snake River Plain. On the plain, the elevated water table on the northeast side of these rifts suggests that their feeder dikes act as dams, slowing the southwestward flow of groundwater down the plain. In the case of the rift on the Rexburg Bench, the dike system would most likely act as a similar barrier, inhibiting groundwater flow to the southwest, and directing it to the northwest toward Sugar City.
- 6. The fact that the South Fork tends to hug the Heise side of the graben, along with the sloping topography of Antelope Flat and Ririe Reservoir area suggest that displacement on the Heise fault is greater than that of the faults on the southwest side of the valley. This indicates that the northeast side of the graben is dropping faster than the southwest side. Thus, the graben floor with its sediment and basalt fill dip gently to the northeast. This suggests that the majority of groundwater in addition to the surface water inflow into the South Fork is from the southwest.
- 7. The presence of several warm springs (including Heise Hot Springs) along the northwest striking Heise Fault suggests that the groundwater flow in that area is dominated by water





moving up along the fault and not flow from the Rexburg Bench. In most geothermal systems in this type of setting, water percolates down through the hanging wall block of a graben, is heated at depth and then moves up along the boundary fault. If a significant volume of groundwater was flowing from the Moody Creek area on the Bench toward the South Fork, we would expect that it would mask or significantly dilute the hot water before it reached the surface. One of the biggest challenges to geothermal exploration in the northern Rexburg bench and Sugar City areas has been the presence of the cold surface aquifer, which masks geothermal targets beneath. This is not the case along the Heise Cliffs, indicating that the prolific shallow aquifer on the bench does not extend through the Heise Volcanic rocks or the Paleozoic/Mesozoic rocks in the Kelly Mountain area.

Water Budget:

Haskett (1972) reported that the natural recharge of the Rexburg Bench was previously estimated to be about 35,000 acre feet per year while ground water pumpage was calculated to be about 40,000 acre feet per year without any apparent decline of the water table. Haskett stated that the fact that the water table was not in decline indicates that there must be some other source of inflow into the aquifer underlying the Rexburg Bench in addition to natural recharge. It was suggested by Haskett, based upon his analysis of water table contours, that the additional inflow may be from three possible sources including the South Fork of the Snake River.

Based upon evidence provided herein, it appears unlikely that significant recharge from the South Fork passes through the multitude of deep thrust faults and stratigraphic barriers, including the steeply dipping Mesozoic and Paleozoic rocks, to recharge the Rexburg Bench aquifer.

References:

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Doherty, D.J. Unpublished Geologic Maps of the Heise, Hawley Gulch, Heise SE, and Poplar 7 ½ minute quadrangles, Idaho.

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Schneider, J., 1980, Correlation of well data in the Rexburg area, southeastern Idaho: Unpublished student project, Geology Department, Ricks College, Rexburg, Idaho, 15 p.

Stoker, R.C., Kunze, J.F., 1980, Evaluation of the geothermal potential around Rexburg, Idaho: Contract DE-FC07-79ET27028, U.S. Department of Energy, Geothermal Energy; Report Prepared by Energy Services Inc., Idaho Falls, ID, 154p.

Welhan, J., 2009, Personal communication.

Map References:

Johnson, Bruce R., and Raines, Gary L, 1995, Digital map of major bedrock lithologic units for the Pacific Northwest: a contribution to the Interior Columbia River Basin Ecosystem Management Project: U.S. Geological Survey Open File Report 95-680.

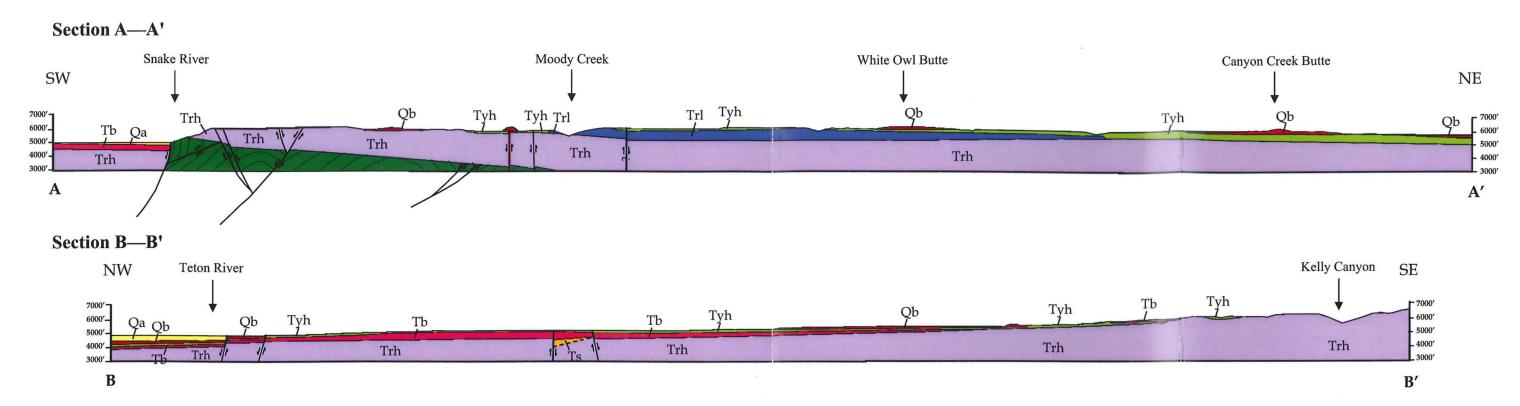
The following data were obtained from the Idaho Department of Water Resources GIS Database (http://www.idwr.idaho.gov/gisdata/gis data.htm):

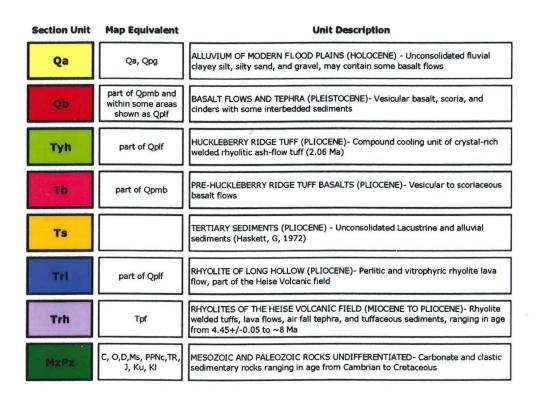
- Geothermal Resources
- Faults
- Major Rivers
- Cities
- Major Lithologic Units (Johnson, 1995)
- Idaho Shaded Relief

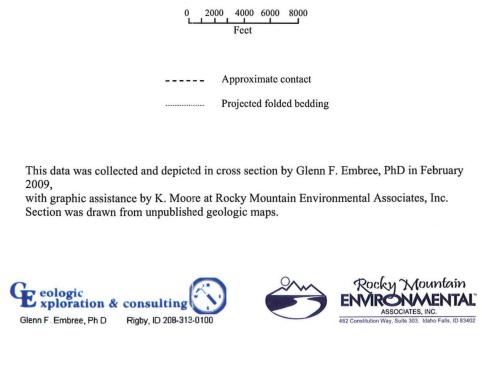




Figure 1 Geologic Cross Sections







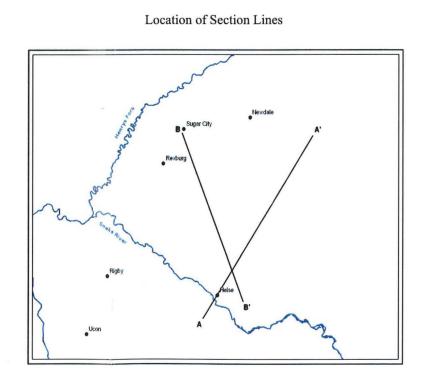


Figure 3. Cross section from Prostka (1978).

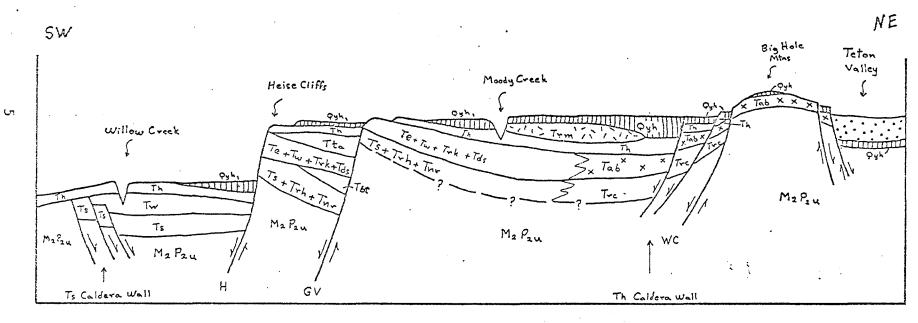
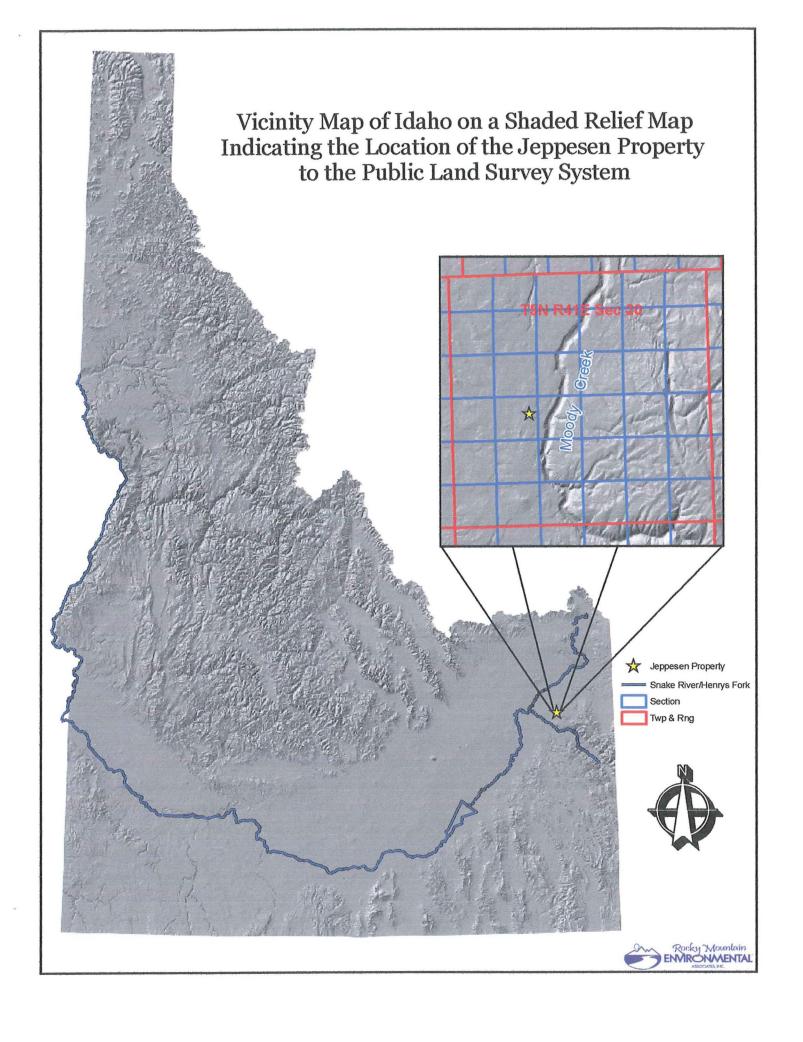


Figure 3.—Highly idealized cross section showing the general structural and stratigraphic relations across the best exposed portion of the Rexburg caldera complex.



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Map of the General Geology Surrounding the Jeppesen Property in Relation to the Henrys Fork and Snake River

*Index map only. Sections not drawn with these units.



Legend

City

☆ Jeppesen Property

River

Fault

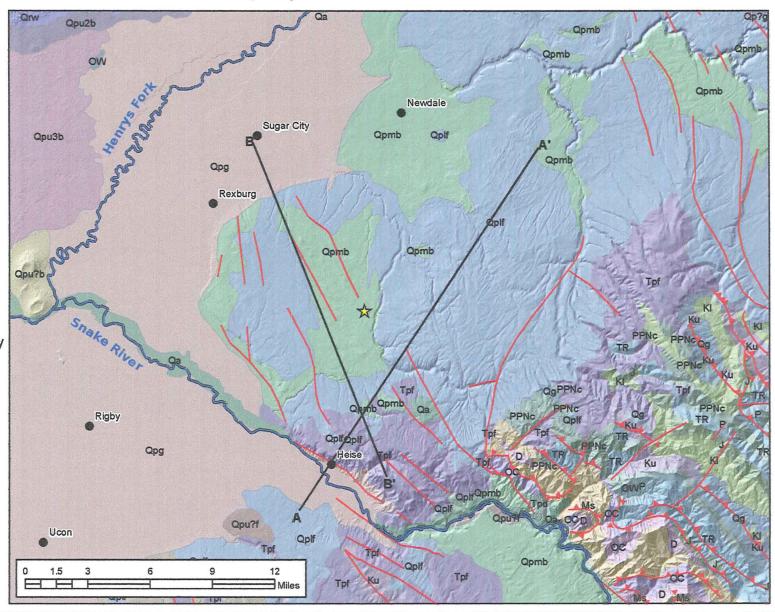
- - Caldera

Normal

--- Thrust

See attached page for Lithologic Units.





Map of the Known Geothermal Wells in Relation to Trending Faults Surrounding the Jeppesen Property Sugar City Rexburg Legend City Geothermal Wells Jeppesen Property River **Fault** - - Caldera Rigby Normal → Thrust Ucon

Glenn F. Embree Department of Geology, BYU-Idaho Rexburg, Idaho 83460-0505 (208) 496-1904 or 745-7943

EDUCATION

- B.S. (Geology) San Diego State University, San Diego, Ca., 1967
- M.S.(Geology) Brigham Young University, Provo, Utah, 1969 Thesis title: Lateral and vertical variations in a Quaternary basalt flow, Petrography and chemistry of the Gunlock Flow, Southwestern Utah.
- Ph. D. (Geology) University of Idaho, Moscow, Idaho, 1976, Dissertation title: Structural analysis of the Precambrian rocks, Green Lake Basin, Teton Range, Wyoming.

EXPERIENCE

1989-Present, Consulting: Work with the United States Geological Survey, Idaho Geological Survey, United States Department of Energy, government contractors, and universities on regional geologic mapping, and seismic and volcanic hazard studies.

1969-2007, BYU-Idaho, Rexburg, Idaho. Responsibilities: Teaching Geology, Physical Geology, Historical Geology, Environmental Geology, Mineralogy, Petrology, and Field Methods. Served as Geology Department Chair and Dean of the College of Physical Sciences and Engineering.

1981-1989 Consulting Geologist. Responsibilities: Mining, petroleum, and geothermal exploration and evaluation of properties in Idaho, Montana, Utah, California, Arizona, Texas, Ohio, and Mexico. Seismic and volcanic hazard evaluation.

1974-1981(Summers and full time May 1978-August 1979) United States Geological Survey, Branch of Central Environmental Geology, Denver, Colorado. Responsibilities: Geologic Mapping, Eastern Snake River Plain, project chief, supervising mapping and study of silicic volcanic rocks of Eastern Snake River Plain, Geothermal resource evaluation.

1968, 1970, 1971, 1983-85 (Summers) Brigham Young University, Provo, Utah. Responsibility: Instructor at Geology Summer Field Camp.

1967(Summer) Atlantic Richfield Corp., Long Beach, California. Responsibility: Evaluate subsurface geology of the San Gabrial Basin.

SOCIETY MEMBERSHIPS AND CERTIFICATION

Registered Professional Geologist - State of Idaho Geological Society of America

PUBLICATIONS

Embree, G. F., 1970, Lateral and vertical variations in a Quaternary basalt flow: Petrology and chemistry of the Gunlock flow, Southwestern Utah: Brigham Young University Geology Studies, v. 17, p. 17-115.

Brimhall, W.H., and Embree, G.F., 1971, Rapid analysis of basalts by atomic absorption: Brigham Young University Geology Studies, v. 18, p. 123-130.

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McBroome, Lisa A., Doherty, David J. and Embree, Glenn F., 1982, Correlation of Major Pliocene and Miocene ash-flow sheets, Eastern Snake River Plain, Idaho,: Montana Geol. Soc. 1981 Field Conf. and Symposium, Southwest Montana, p. 323-330.

Embree, G.F., McBroome, L.A., Doherty D.J., 1982, Preliminary stratigraphic framework of the Pliocene and Miocene rhyolites on the Eastern Snake River Plain, Idaho, in Bill Bonnichsen and R. M. Breckenridge, editors Cenozoic Geology of Idaho: Idaho Bureau of Mines and Geology Bulletin 26, p. 333-343.

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- Embree, G.G., Geissman, J., Robert Clayton, R., Millard, M., 2008, Gravity sliding and secondary deformation within the Huckleberry Ridge Tuff and subjacent Pliocene deposits, Fremont County, Idaho, USA (abs.): International Association of Volcanology and Chemistry of the Earth's Interior 2008 General Assembly Reykjavík Iceland

Jordan, B, Embree, G, Moore, D, 2008, Lava Dams and the Formation of Pillow Lavas near the mouth of Teton Canyon, Idaho, USA (abs.): International Association of Volcanology and Chemistry of the Earth's Interior 2008 - General Assembly - Reykjavík - Iceland

SELECTED UNPUBLISHED REPORTS

Neogene Fault Activity in the southern Beaverhead Range adjacent to the Eastern Snake River Plain and Birch Creek Valley, Idaho: 1989 report for EG & G Idaho: G.Embree

Sections on Geologic setting, seismic activity, and volcanism in the E.I.S. for the Special Isotope Separation Project: U.S. Department of Energy: 1988. G.Embree and R.Hoggan

Geologic mapping of eight 7.5 minute quadrangles, located between Rexburg and the Teton Range. In 2008, mapping of the Rexburg and Ririe Quadrangles were completed and submitted to the Idaho Geological Survey for review and publication.