

LONE STAR GROUNDWATER CONSERVATION DISTRICT

February 10, 2009

MINUTES OF PUBLIC HEARING ON PERMIT APPLICATIONS

The Board of Directors of the Lone Star Groundwater Conservation District (“District”) met in regular session, open to the public, in the Lone Star GCD – Board Room located at 207 W. Phillips Street, Suite 300, Conroe, Texas, within the boundaries of the District, at 10:00 a.m. on February 10, 2009.

President Love called to order the Public Hearing on Permit Applications at 10:00 a.m., announcing that it was now open to the public.

The roll was called of the members of the Board of Directors, to wit:

Sam W. Baker
Reed Eichelberger, PE
Orval R. Love, PE
Roy McCoy, Jr.
Rigby Owen, Jr.
Jim Stinson, PE
Richard J. Tramm
Scott Weisinger, PG
W. B. Wood

All members of the Board were present except Director Wood, thus constituting a quorum of the Board of Directors. Also, in attendance at said meeting were Kathy Turner Jones, District General Manager; Brian L. Sledge, General Counsel; Alan Potok, District Engineer, AECOM; District staff; and members of the public. *Copies of the public sign-in sheets are attached hereto as Exhibit “A”.*

Following the permit hearing report from General Manager, Kathy Turner Jones, a motion was made by Director Stinson and seconded by Director Baker, to approve permits #1 through #15, in accordance with the recommendations of the General Manager. No action was taken on Item #16, Affiliated Crown Development (Majestic Lake).

1. San Jacinto River Authority, for a proposed amendment to OP, increase of 1,034,640 mg annually, The Woodlands, Public Supply (PWS) use;
2. North American Trade Corp, for a proposed well to be drilled at 1053 Blake Rd., Conroe, not to exceed 1 mg annually, Commercial use;

3. Time Mart #16 /242 Business Inc., for a proposed operating permit not to exceed 0.6 mg annually, 16145 FM 1485, Conroe, Public Supply use;
4. Anthony Plew, for a proposed operating permit not to exceed 0.142 mg annually, 11880 FM 830, Willis, Public Supply use;
5. 177 Lake Estates HOA, for a proposed amendment to OP, increase of 1 mg annually, Keenan Cut Off & Lakeshore, Montgomery, Irrigation use (Lake Fill);
6. Michael Keiller, for a proposed amendment to OP, increase of 0.5 mg annually, 11 Los Encinos Ct, Magnolia, Public Supply use;
7. Lochness Valet Launch & RV Park Ltd, for a proposed well to be drilled at 13060 Calvary Rd, Willis, not to exceed 0.36 mg annually, Commercial use;
8. Mouhammad Salman, for a proposed operating permit not to exceed 0.142 mg annually, 15395 FM 3083, Conroe, Public Supply use;
9. Mike Manore, for a proposed operating permit, not to exceed 0.2 mg annually, 1623 Sawdust, The Woodlands, Public Supply use;
10. Conroe Lighting & Supply, for a proposed well to be drilled at 1144 Rayford Rd. #5, Spring, not to exceed 0.250 mg annually, Commercial use;
11. Lake Bonanza Water Supply Corp., for a proposed amendment to OP, increase of 12 mg annually, Cartwright Rd. Montgomery, Public Supply (PWS) use;
12. Lake Lorraine, for a proposed operating permit not to exceed 0.775 mg annually, 1541 E Pine Lake Cir. Montgomery, Public Supply (PWS) use;
13. Hallelujah Harvest Inc, for a proposed well to be drilled at 26455 Hanna, Conroe, not to exceed 0.3 mg annually, Commercial use;
14. Bailey Properties, LLC, for a proposed well to be drilled at 1900 Westview Blvd. Building 3, Conroe, not to exceed 2 mg annually, Irrigation use;
15. Walnut Cove Water Supply Corp., for a proposed operating permit not to exceed 6.8155 mg annually, Reserve J Calvary Rd, Willis, Public Supply (PWS) use; and
- ~~16. Affiliated Crown Dev. (Majestic Lake), for a proposed well to be drilled at Kings View Court, Montgomery, not to exceed 40 mg annually, Irrigation Use (Lake Fill).~~

Director Love adjourned the Public Hearing on Permit Applications at 10:03 a.m.

PASSED, APPROVED, AND ADOPTED THIS 10th DAY OF March, 2009.

Sam W. Baker, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

January 13, 2009

MINUTES OF REGULAR MEETING

The Board of Directors of the Lone Star Groundwater Conservation District (“District”) met in regular session, open to the public, in the Lone Star GCD – Board Room located at 207 W. Phillips Street, Suite 300, Conroe, Texas, within the boundaries of the District, at 10:35 a.m. on January 13, 2009.

President Love called to order the regular Board of Directors meeting at 10:35 a.m. announcing that it was now open to the public.

The roll was called of the members of the Board of Directors, to wit:

Sam W. Baker
Reed Eichelberger, PE
Orval R. Love, PE
Roy McCoy, Jr.
Rigby Owen, Jr.
Jim Stinson, PE
Richard J. Tramm
Scott Weisinger, PG
W. B. Wood

All members of the Board were present, thus constituting a quorum of the Board of Directors. Also, in attendance at said meeting were Kathy Turner Jones, District General Manager; Brian L. Sledge, General Counsel; Jason Hill, Attorney; Alan Potok, District Engineer, AECOM; District staff; and members of the public. *Copies of the public sign-in sheets are attached hereto as Exhibit “A”.*

APPROVAL OF THE MINUTES:

Upon review of the following, meeting Minutes of the December 9, 2008, Special Board of Directors Meeting; the December 9, 2008, Public Hearing on Permit Applications; and the December 9, 2008, Regular Board of Directors Meeting, a motion was made by Director Weisinger, seconded by Director Eichelberger and unanimously carried, to approve the meeting/hearing minutes as presented.

SJRA PROGRESS REPORT:

Jace Houston, Deputy General Manager Administration for the SJRA, stated that the SJRA is on schedule to submit its Joint WRAP Part 2 by the deadline of March 2, 2009. The engineering firm of Brown & Gay is completing the routing analysis, alternative analysis, and other engineering reviews and is compiling the WRAP. The alternative water source study has been completed and will be on the SJRA website soon. On January 26, 2009, the SJRA will be hosting its third progress meeting. The meeting will be held at the Lone Star Convention Center beginning at 6:00 pm. Postcards have been mailed out to participants and other interested parties.

COMMITTEE REPORTS:

Rules and Bylaws Committee – Kathy Turner Jones, Coordinator. Ms. Jones reported that the committee had not met since the last Board meeting.

Discussion, consideration, and possible action approving Resolution #09-001 Amending Adopted Rules for the Lone Star GCD. Ms. Jones stated that given the verbal and written comments received regarding rule amendments addressed in Section 13 – “Waste and Conservation Standards for Impoundments” and the potential impact to the developing community, it would be her recommendation to the Board to table action adopting this specific section of language and authorize her, the General Manager, to initiate a consensus committee consisting of the District’s engineer and attorney to promote the District’s overall objective to promote groundwater conservation in Montgomery County. The committee would be responsible to work with the Rules and Bylaw’s Committee.

Following discussion, a motion was made by Director Wood, seconded by Director Weisinger, and unanimously carried to table Resolution #09-001 until the April 14, 2009, Board of Directors Meeting and form a Consensus Committee to promote groundwater conservation in Montgomery County.

Focus Planning Committee-Orval R.Love, Chair. Director Love stated that his committee had not met since the last Board meeting.

Budget and Finance Development Committee – Jim Stinson, Chair. Director Stinson reported that his committee had not met since the last Board meeting, but a committee meeting has been scheduled for January 22, 2009, to finalize a draft 2009 operating budget for recommendation and Board of Director approval.

Review of monthly financial reports. A review of the monthly financial reports showed that the District was \$80,000 over in income and \$300,000 under in budget.

Review 4th Quarterly Investment Report 2008. Director Stinson stated that each Director had a copy of the 4th Quarter Investment Report and if there were any questions he would be glad to answer them. No action was required.

Policy and Personnel Development Committee – Sam W. Baker, Chair. Director Baker stated that the committee had not met since the last Board meeting.

Water Awareness and Conservation Committee – Billy Wood, Chair. Director Wood reported that the committee met on January 9, 2009.

Consideration and possible action as necessary regarding approval of an “Inclining Block Permit Fee Structure”. After discussion, it was recommended that the “Inclining Block Permit Fee Structure” should be handled by the water providers (MUD and cities) and not Lone Star GCD. A motion was made by Director Wood, seconded by Director Baker and unanimously carried to not participate in an “Inclining Block Permit Fee Structure”.

Director Wood stated he would like to commend the City of Conroe for their “101 Water Tips” and the Montgomery County Extension Service for their newsletter. He also stated that in April, District staff will assist Montgomery County Master Gardeners in a presentation to the Academy of Science students regarding rainwater harvesting and water conservation practices. This will be held at the Montgomery County Extension/Master Gardeners new facility in Montgomery.

Discuss, consider and act on Water Awareness & Conservation Committee recommendation regarding 2009 water awareness public education campaign: Water IQ. Director Wood reported that his committee met with EnviroMedia on January 9, 2009. A copy of their proposed 2009 Water Awareness Public Education Campaign is included in the Board’s packet. Director Baker suggested the district cut the budget back from \$275,000 to a more nominal fee (\$200,000) due to local economic trends. Director Owen continued to voice concerns regarding not going out for bids. He further stated he does not feel we have a true program for informing the public regarding water conservation. He would like a more in-depth program brought before the Board. Director Stinson suggested the Water Awareness and Conservation Committee meet with the Budget and Finance Committee as they prepare the 2009 Operating Budget.

After proper and legally sufficient announcement to the public by President Love, the Board of Directors went into Executive Session at 11:08 a.m. as authorized by the Open Meetings Act, Section 551.074, Government Code, to discuss the water awareness public education campaign under agenda item #5.e(3). No action will be taken in Executive Session.

Following Executive Session, the Board resumed the open meeting at 11:20 a.m.

Director Stinson remarked that the Board is in uncharted territory and the Water Awareness and Conservation Committee will be the District’s biggest expense.

Upon a motion by Director Stinson, seconded by Director Owen, and unanimously carried, the Board deferred this item for a future meeting and will put together a workshop for further recommendations.

Surface Water Conversion Task Force Committee – Rigby Owen, Jr; Chair. Director Owen reported that the committee had not met since the last Board meeting. He further stated he had the opportunity to meet with SJRA representatives and review draft legislation that

will allow the Authority to move forward with a surface water plan for the entire county. The legislation would give SJRA, as a regional water supplier, the authority to create a surface water plant and charge participants a fee to support operations. Director Owens added that he believes this is a positive approach being taken by SJRA for the City of Conroe as well as citizens of Lake Conroe. He was assured they have backing from our Senators and Legislature.

DISCUSSION, CONSIDERATION, AND POSSIBLE ACTION APPROVING RESOLUTION #09-002 “ENCOURAGING AND SUPPORTING MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT #8 AND MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT #9 IN THEIR JOINT EFFORTS TO RESEARCH AND CONSTRUCT A RECYCLED WATER PROJECT (REUSE PROJECT) TO REDUCE GROUNDWATER CONSUMPTION”.

Dan Davis, Representative of MUD 8, asked the District’s support in encouraging water reuse efforts to reduce of groundwater consumption. Mr. Davis stated MUD 8 & 9 need the support of Lone Star GCD, and other area local entities, to go forward with applying for a grant from the TWDB. Without further discussion, a motion was made by Director Owen, seconded by Director Tramm, and unanimously carried to support Montgomery County Municipal Utility District #8 and #9 in their efforts to reduce groundwater consumption.

ENGINEERING REPORT: Alan Potok, District Engineer, AECOM, reported that there had not been any significant activity for the month of December, other than AECOM had completed review all WRAP submittals.

GENERAL COUNSEL’S REPORT: Brian Sledge, General Counsel, stated the Texas Legislature is recodifying groundwater districts laws. He has received a copy and has reviewed and submitted comments. Mr. Sledge continues to meet with SJRA regarding their WRAP progress and has reviewed all non SJRA WRAP submittals. General Counsel announced that the Legislatures begins today (January 13, 2009) for the 2009 Session.

Jason Hill, Attorney, stated that the State Office of Administrative Hearings (SOAH) Administrative Law Judge (ALJ) issued an order this week for a preliminary conference to be held February 23, 2009 to map out a time line to address the lack of evidence that TCEQ Commissioners have raised at the November agenda.

GENERAL MANAGER’S REPORT: Ms. Jones stated that her report was included in the Board’s packet.

PUBLIC COMMENT: Tom Baudat, President, T&W Water Supply, wanted to know the purpose of HUP’s. Mr. Baudat also wanted to commend the MUDS for their recycle and reuse projects, and stated that most investor owned utilities are implementing reuse from individual aerobic systems.

CONSIDER ENFORCEMENT ACTION, INCLUDING WITHOUT LIMITATION LITIGATION, IMPOSITION OF CIVIL PENALTIES, AND/OR COMPROMISE AND SETTLEMENT AGREEMENTS FOR VIOLATIONS OF DISTRICT RULES FOR THE FOLLOWING:

Upon a motion by Director Stinson, second by Director Eichelberger, and unanimously carried, the Board approved authorizing staff to tender a Compromise Settlement Agreement, in lieu of court action by suit for violation of District Rules, in accordance with legal advice received in Executive Session for the following:

FAILURE TO PERMIT (RENEWAL NOT RECEIVED)

JJ'S ONE STOP – HUP 102

FAILURE TO PERMIT AND METER

PLEWDAGS WATER SYSTEMS

NEW BUSINESS: None

There being no further business, upon a motion by Director Wood, seconded by Director Weisinger, the meeting was adjourned at 11:45 a.m. The next regular meeting of the Board of Directors is scheduled for February 10, 2009 at 10:00 a.m.

PASSED, APPROVED, AND ADOPTED THIS 10th DAY OF FEBRUARY, 2009.

Sam W. Baker, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

January 13, 2009

MINUTES OF PUBLIC HEARING ON PROPOSED CHANGES TO DISTRICT RULES

The Board of Directors of the Lone Star Groundwater Conservation District (“District”) met in regular session, open to the public, in the Lone Star GCD – Board Room located at 207 W. Phillips Street, Suite 300, Conroe, Texas, within the boundaries of the District, at 9:00 a.m. on January 13, 2009.

The audio tape will serve as the official record for the Public Hearing on Proposed Changes to District Rules. The summary below is provided for convenience

President Love called to order the Public Hearing on proposed changes to District Rules at 9:00 a.m.

The roll was called of the members of the Board of Directors, to wit:

Sam W. Baker
Reed Eichelberger, PE
Orval R. Love, PE
Roy McCoy, Jr.
Rigby Owen, Jr.
Jim Stinson, PE
Richard J. Tramm
Scott Weisinger, PG
W. B. Wood

All members of the Board were present, thus constituting a quorum of the Board of Directors. Also, in attendance at said meeting were Kathy Turner Jones, District General Manager; Brian L. Sledge, General Counsel; Jason Hill, Attorney; Alan Potok, District Engineer, AECOM; District staff; and members of the public. *Copies of the public sign-in sheets are attached hereto as Exhibit “A”.*

President Love asked the General Manager, Kathy Turner Jones, to please read, in its entirety, the reason for the meeting:

Presentation and discussion of proposed changes to the District Rules. The proposed rules changes affect the scope of permitting exemptions, make substantive changes to rules enforcement procedures, substantive changes to penalties for noncompliance with District rules, substantive and procedural changes to replacement well and substantial alteration of existing

well authorization, revisions to procedures for transferring ownership of existing wells, revise reporting requirements for new well completions, water production, and groundwater transport, provide standards for abandoned and deteriorated wells, adopt a water use fee rebate program, revise standards for non-exempt well metering exemptions, provide procedures or contesting a District enforcement action, provide permitting standards for impounding produced groundwater in surface ponds, lakes or other impoundments, repeal temporary permit program, and make non-substantive organizational changes to rules. These changes, along with any other changes to the District Rules not referenced in this notice, may be considered and adopted without further notice of hearing based on comments received at this hearing.

Kathy Turner Jones, General Manager, stated that she would like to add, for the record, that public notice was sent through numerous e-mail distributions, plus, as required by law, notice of the Hearing was posted in the Conroe Courier on December 17, 2008, as well as the Montgomery County News on December 17, 2008. Copies of those notices are available upon request.

General Counsel, Brian Sledge, stated that the Rules and Bylaws Committee, along with his staff, had been working on the rules for a full year. Since the proposed changes had been covered extensively in past meetings, he will not give a detailed and long explanation for every change. The proposed changes will be outlined in summary form. General Counsel stated he is aware that there are members of the public that wish to make comments, and the District wants to hear those comments. Counsel stated he would ask Mr. Hill to start with a brief overview of the proposed changes. If, along the way, the Board has any questions, please feel free to interrupt and ask the question. Mr. Sledge further stated that the meeting is being recorded and the recording will serve as record of the Administrative Hearing. After Mr. Hill has finished giving the summary, the Board will hear public comments.

Jason Hill, Attorney, stated he had been working with General Counsel on behalf of the District. Mr. Hill gave a summary presentation of the proposed amendments to rules governing the Lone Star Groundwater Conservation District, stating that the major changes are definition changes and organizational changes.

Following Mr. Hill's summary presentation, General Counsel informed the Board that there was a large section of the rules that the committee did not touch. The reason for this was; the committee wanted to wait until after the next phase of the District Regulatory Plan (DRP) is developed, all of the WRAPS are received and then all of those sections will be addressed at that time.

PUBLIC COMMENTS:

Steve Costello, Costello, Inc., expressed concerns regarding the impoundment proposed rules. His suggestion was for the District to form a task force in coordination with the District's engineer, as well as District staff, to discuss the issues before the Board accepts the recommendation of the staff.

Kevin Tokarski, Pate Engineering, also voiced concerns that the Board was moving too aggressively in regards to amenity ponds and suggested the Board appoint a task force to direct them.

Mike Stoecker (developer); Stoecker Corporation, stated his concerns, from a developer's viewpoint, regarding impoundments. His main concern was the future economic impact. Mr. Stoecker stated Montgomery County is competing at all times with all of the other counties in the area and everyone is after the same tax base.

In conclusion, President Love stated he would see that a task force is established and will make sure, when the Board gets to the voting in the Regular Meeting, that this issue is postponed for ninety (90) days for further input.

Brian Sledge, General Counsel, recommended, from a procedural perspective, that if it is the Board's intention to continue the Hearing for at least ninety (90) days, it be announced, for the record: "This Hearing that was properly noticed will be continued until 9:00 a.m. on April 14, 2009, to be held in the Lone Star Groundwater Conservation District Board Room at 207 W Phillips, Suite 300, Conroe, Texas".

This concludes the Public Hearing until it's continuation at the above date and time.

The Public Hearing on Proposed Changes to District Rules was adjourned at 10:10 a.m.

PASSED, APPROVED, AND ADOPTED THIS 10th DAY OF FEBRUARY, 2009.

Sam W. Baker, Board Secretary