

LONE STAR GROUNDWATER CONSERVATION DISTRICT

February 8, 2011

MINUTES OF SPECIAL MEETING

Lone Star Groundwater Conservation District (“District”) held a “Special Meeting,” open to the public, at 207 W Phillips Street, Suite 300, Conroe, Texas, within the boundaries of the District on February 8, 2011.

President Tramm called the meeting to order at 9:07 a.m., announcing that it was now open to the public.

Director Baker and Director Stinson arrive at 9:12 a.m.

The first order of business was the Administration of Oaths of Office to newly appointed board members. The Honorable Keith M. Stewart, Judge County Court at Law No. 5, administered the Oath of Office to Sam W. Baker, Roy McCoy, Jr., Rick Moffatt, James “Jim” M. Stinson, and W.B. Wood.

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

Sam W. Baker
Reed Eichelberger, PE
Roy McCoy, Jr.
Ricky J. Moffatt
Jim Stinson, PE
Richard J. Tramm
Scott Weisinger, PG
James B. Wesley
W. B. Wood

All members of the Board were present with the exception of Director Wesley, thus constituting a quorum of the Board of Directors. Also, in attendance at said meeting were Kathy Turner Jones, District General Manager; Jason Hill, General Counsel; Mark Lowry, District Consultant; District staff; and members of the public. *Copies of the public sign-in sheets are attached hereto as Exhibit “A”.*

After a proper and legally sufficient announcement to the public by President Tramm, the Board of Directors convened in a Closed Executive Session at 9:15 a.m. pursuant to Texas Government Code, Sections 551.071, to consult with the District's attorney on any item on any notice or agenda for today's meetings or hearings regarding pending or contemplated litigation, settlement offers, or on matters in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with the Texas Open Meetings Act, Chapter 551, Government Code.

Following Executive Session, the Board reconvened in Open Session and declared it open to the public at 9:52 a.m.

No action was taken on matters discussed in Executive Session and the meeting was adjourned at 9:52 a.m.

PASSED, APPROVED, AND ADOPTED THIS 8th DAY OF MARCH, 2011.

M. Scott Weisinger, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

February 8, 2011

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 on February 8, 2011.

President Tramm called to order the Public Hearing on Permit Applications at 10:04 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
Roy McCoy, Jr.
Ricky J. Moffatt
Jim Stinson, PE
Richard J. Tramm
Scott Weisinger, PG
James B. Wesley
W. B. Wood

All members of the Board were present with the exception of Director Wesley, thus constituting a quorum of the Board of Directors. Also, in attendance at said meeting were Kathy Turner Jones, District General Manager; Jason Hill, General Counsel; Mark Lowry, District Consultant; District staff; and members of the public. *Copies of the public sign-in sheets are attached hereto as Exhibit “A”.*

Item #1, **Quadvest, LP. 2 (Northcrest Ranch 1, 2 & 3)**, Item #7, **Timber Solutions Inc.** – To be discussed collectively. The applicants are requesting amendments to increase allocation and drilling authorization under their existing Operating Permits. Based on technical review of information supplied by application, it is the General Manager’s recommendation to approve that which is being requested. A motion was made by Director Stinson, and seconded by Director Baker to approve the above permit applications in accordance with the recommendations of the General Manager. Director Weisinger abstains from Item #7, **Timber Solutions Inc.** Motion passed.

Item #2, **Todd Attayi** – Applicant is requesting an Operating Permit for an existing well that staff has found in non-compliance. Applicant provides water to an auto shop. Based on technical review of information supplied by application, it is the General Manager’s recommendation to authorize a reduced amount of 25,000 gallons annually. A motion was made by Director Stinson, and seconded by Director Baker to approve the above permit application in accordance with the recommendations of the General Manager. Motion passed.

Item #3, **Floyd Woodson, Jr.** – No action will be taken.

Item #4, **Kingdom Harvest Church** – Applicant is requesting an Operating Permit for drilling authorization and 150,000 gallons annually. Based on technical review of information supplied by application, it is the General Manager’s recommendation to approve that which is being requested. A motion was made by Director Stinson, and seconded by Director Baker to approve the above permit application in accordance with the recommendations of the General Manager. Motion passed.

Item #5, **James Spradlin** – Applicant is requesting an Operating Permit for an existing well that staff found in non-compliance. Applicant provides water to three mobile homes. Based on technical review of information supplied by application, it is the General Manager’s recommendation to authorize a reduced amount of 450,000 gallons annually. A motion was made by Director Stinson, and seconded by Director Baker to approve the above permit application in accordance with the recommendations of the General Manager. Motion passed.

Item #6, **Precast of Houston** – Applicant is requesting an Operating Permit for an existing well that staff found in non-compliance. Applicant provides water to an office building and in the concrete production process. Based on technical review of the information supplied by application, it is the General Manager’s recommendation to approve that which is being requested. A motion was made by Director Stinson, and seconded by Director Baker to approve the above permit application in accordance with the recommendations of the General Manager. Motion passed.

Item #8, **Carson Properties (Rac’s Icehouse)** – Applicant is requesting an Operating Permit for an existing well that staff found in non-compliance. Based on technical review of information supplied by application, it is the General Manager’s recommendation to authorize a reduced amount of 250,000 gallons annually. A motion was made by Director Stinson, and seconded by Director Baker to approve the above permit application in accordance with the recommendations of the General Manager. Motion passed.

Item #9, **Montgomery County MUD 18 (AWS Production Well)** – Applicant has requested drilling authorization for a production well in the Catahoula formation to provide water to its public water system of approximately 2,100 connections. Applicant is requesting production authorization of 125 million gallons annually. Based on technical review of the information supplied by application, it is the General Manager’s recommendation to authorize drilling only, at this time. Upon receipt of additional information requested from the applicant, a further technical review will be conducted with a recommendation to the Board to follow. There was discussion amongst the Board members, followed by a motion made by Director Stinson, and seconded by Director Eichelberger to approve the above permit application in accordance

with the recommendations of the General Manager. Director McCoy opposes the motion and Director Weisinger abstains. Motion passed by a seven to one vote.

Item #10, **Montgomery County UD #3 (AWS Production Well)** – Applicant has requested drilling authorization for a production well in the Catahoula formation to provide water to its public water system of approximately 2,919 connections. Application is requesting production authorization of 350 million gallons annually. Based on technical review of the information supplied by application, it is the General Manager’s recommendation to authorize drilling only, at this time. Upon receipt of additional information requested from the applicant, a further technical review will be conducted with a recommendation to the Board to follow. There was discussion amongst the Board members, followed by a motion made by Director Wood, and seconded by Director Eichelberger to approve the above permit application in accordance with the recommendations of the General Manager. Director McCoy opposes the motion. Motion passed by an eight to one vote.

President Tramm adjourned the Public Hearing on Permit Applications at 10:19 a.m.

PASSED, APPROVED, AND ADOPTED THIS 8th DAY OF MARCH, 2011.

M. Scott Weisinger, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

February 8, 2011

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 301, Conroe, Texas, within the boundaries of the District on February 8, 2011.

President Tramm called to order the regular Board of Directors meeting at 10:20 a.m. announcing that it was open to the public.

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

Sam W. Baker
Reed Eichelberger, PE
Roy McCoy, Jr.
Ricky J. Moffatt
Jim Stinson, PE
Richard J. Tramm
Scott Weisinger, PG
James B. Wesley
W. B. Wood

All members of the Board were present with the exception of Director Wesley, thus constituting a quorum of the Board of Directors. Also, in attendance at said meeting were Kathy Turner Jones, District General Manager; Jason Hill, General Counsel; Mark Lowry, District Consultant; District staff; and members of the public. *Copies of the public sign-in sheets are attached hereto as Exhibit “A”.*

The Board of Directors joined the General Manager, General Counsel, District Consultant, and District staff in the presentation of a service award to Orval R. Love in recognition of his dedication and service as an officer and board member to the Lone Star Groundwater Conservation District.

President Tramm introduced and welcomed the newest board member, Rick Moffatt, who will be representing MUDs east of I-45 and taking Mr. Love’s position.

ELECTION OF BOARD OFFICERS:

President – Director Stinson nominated Richard Tramm, the nomination was seconded by Director Wood. Without further discussion a vote was taken and President Tramm was re-elected as Board President.

Vice-President – Director Wood nominated Sam Baker, the nomination was seconded by Director Eichelberger. Without further discussion, a vote was taken and Sam Baker was elected as Board Vice-President.

Secretary – Director Baker nominated Scott Weisinger, the nomination was seconded by Director Stinson. Without further discussion, a vote was taken and Scott Weisinger was elected as Board Secretary.

Treasurer – Director Baker nominated Jim Stinson, the nomination was seconded by Director Wood. Without further discussion, a vote was taken and Jim Stinson was re-elected as Board Treasurer.

APPROVAL OF THE MINUTES:

President Tramm stated the Board would consider all four meeting Minutes listed as one item. Upon review of the following, a motion was made by Director Wood, seconded by Director Eichelberger and unanimously carried, to approve the meeting minutes as presented:

- a) January 11, 2011, Special Board Meeting
- b) January 11, 2011, Public Hearing on Permit Applications
- c) January 11, 2011, Regular Board of Directors Meeting
- d) January 20, 2011, Building and Facilities Committee Meeting

COMMITTEE REPORTS:

Water Awareness and Conservation Committee – Billy Wood, Chair. Director Wood reported that the committee had met February 3, 2011, to discuss budget recommendations for FY2011. Ms. Jones added that the committee has also been tasked with providing information to the Board on the 2011 education program.

Rules and Bylaws Committee – Kathy Turner Jones, Coordinator. Ms. Jones reported that the committee had not met since last month's meeting and that the committee meetings will pick back up after the legislative session ends.

Policy and Personnel Development Committee – Sam W. Baker, Chair. Director Baker stated that the committee met January 21, 2011, to discuss personnel issues of the District.

Budget and Finance Development Committee – Jim Stinson, Chair. Director Stinson reported that the committee met January 27, 2011, to review the 2011 fiscal year budget and discuss proposals on banking services.

Review of Monthly Financial Reports. Director Stinson stated he had reviewed the monthly financial report and if anyone had any questions he would be glad to address those.

Discuss, consider, and take action to approve the Budget and Finance Committee's recommendation of bank depository for the District's public funds for a two year term with a two year renewal. Director Stinson stated that the District sent out a number of requests for proposals for banking services. The committee met January 27, 2011, to review the two proposals received from Wells Fargo and First Bank of Conroe. While both proposals had features that were favorable to the District, after much deliberation, it is the committee's recommendation to accept the proposal from First Bank of Conroe. A motion was made by Director Stinson, seconded by Director Eichelberger, and unanimously carried, to approve the recommendation with two abstentions. Director Baker and Director Wood abstain from the vote.

Discussion and possible action regarding updating the banking signature cards. Ms. Jones stated that this was to authorize and update seven of the nine Board Member's signatures, with Director Baker and Director Wood refraining from signing the cards. A motion was made by Director Stinson, seconded by Director Eichelberger, and unanimously carried, to approve the updating of the banking signature cards.

Findings and Review Committee. Ms. Jones reported that the committee met February 3, 2011 to review a proposal to study the Catahoula formation, to which she would refer to Mark Lowry to update board members later in his presentation.

Update and status project report related to Regional Groundwater Update Project. Mr. Lowry stated that the committee is coordinating with the Harris-Galveston Subsidence District and the Fort Bend Subsidence District on the Regional Groundwater Update study. Currently they are in the process of laying out Task Order 3 and 4, which are the "meat" of the project. They have also looked at outside consultants to provide population forecasting services for the project. He continued that the project is well underway and a lot of work has been done on the modeling side, including identifying deficiencies in the model and authorizing additional data to fill in some of the gaps. Mr. Lowry confirmed that a meeting is scheduled for February 15th with the Harris-Galveston Subsidence District and the Fort Bend Subsidence District so there will be more of an update on the project at the next Board Meeting.

Discuss, consider, and take possible action to authorize the General Manager to execute Task Order No. 18, General Consulting Services between Lone Star GCD and AECOM Technical Services, Inc. Ms. Jones explained that AECOM serves as the District's Engineer and that each year the District must renew the Task Order with AECOM for work authorization. The 2011 Task Order No. 18 is for \$20,000. A motion was made by Director Wood, seconded by Director Weisinger, and unanimously carried to authorize the General Manager to execute Task Order No. 18, General Consulting Services between Lone Star GCD and AECOM Technical Services, Inc.

Discuss, consider, and take possible action to allow the General Manager to authorize the District's "Groundwater Panel" to initiate a modeling study of the Catahoula Formation/Aquifer. Mr. Lowry stated that the Brackish Groundwater Panel has been tasked with providing the District with a scope and budget to develop a model of the Catahoula. The concern is that the Catahoula has a lot of variability in the sand thicknesses as well as in the chemical quality and

the Board will be making decisions that will carry forward to 2045. The District already has two applications for production permits from the Catahoula initial well, with talk of additional wells. The recommendation from the Findings and Review Committee to the Board is to go ahead with a more intensive study and try to come up with an operational model that will guide the District and staff in these operating permit decisions. The modeling that was done initially was a “bare bones” study, to try to find out if the pumpage would impact a portion of the upper Jasper which is being used to produce groundwater. The decision from that model was that the pumpage would only impact a small amount. Mr. Lowry pointed out that while that particular model was helpful, it is not where the focus should be. Instead the focus should be on what the impacts of long term pumping will be in the Catahoula. Mr. John Seifert of LBG-Guyton was on hand to answer questions regarding the scope and budget. It was further explained that the Catahoula Panel consisted of John Seifert of LBG-Guyton, Van Kelly and Steve Young of Intera, and Bill Mullican, former deputy director of the Water Development Board and geologist. This is the same group who handled the initial model to try to determine whether there would be an impact on the upper Jasper. The panel has been continuously engaged and kept up to date on the data that has been received from test wells. The consultants and the proposed scope of work are being paid for by LSGCD. Director Wood questioned why the map showed a large area that extended past Montgomery County, and stated that if there are other areas and entities that will benefit from the study they should also be financially responsible. Mr. Lowry stated that while a number of people will benefit from this process in the long-run, the only purpose for including area outside of Montgomery County is to make a complete model. If the model was truncated at the Montgomery County lines, then the data on what is coming into the county would not be included, and without that data the model is much less effective. Director Baker understood and agreed but stated that if other counties will benefit then they should be pitching in and helping out. Mr. Seifert clarified that including other counties in the model is to eliminate the boundary effects that are inherent with these models. Mr. Lowry added that for the model to benefit the other counties the boundaries would need to be expanded further north of their counties. He explained that the boundary condition issues are going to be occurring right in the middle of the other county so this model, because of those boundary condition issues, would have very limited applicability for them as far as getting any real useable data out of it. The real useable data is going to come as you get away from the boundaries. The outside data concentrates mainly on the hydraulics, while the inside area will be more concentrated on the quality of water, defining the subsurface quality and how the quality varies across the county. This will be a multiple layer model which will show the layer of the Catahoula, the confining layer below it, the clays in the Jasper and also the upper Jasper, that way they will be able to look at the effects of pumping on all the layers. Director Wood asked for Mr. Lowry to clarify the strengths and weaknesses of the available information. Mr. Lowry explained they would be looking at the age of various data, and the types of tools that have been used to collect data over the years. He further explained that there were a lot of the studies done in 1970s, so there is a lot of additional data and there is a lot of strength in that data. One of the weaknesses is that there is not a lot of pumping data, thus the reason for being so focused on getting the pumping tests, the drawdown information from any test holes or completed wells, all which will be fed back into the model. The important thing to remember is that the model is a continuous model and will continue to be calibrated over time. Director McCoy asked whether it would take ten months before production could begin, since they explained it would take ten months before the model was useable. Mr. Lowry stated that no, production could begin prior to the model being completed. A motion was made by Director Stinson, seconded by Director Eichelberger, and unanimously carried to authorize the District’s “Groundwater Panel” to initiate a modeling study of the Catahoula Formation/Aquifer.

Building and Facilities Committee – Kathy Turner Jones. Ms. Jones stated the committee met January 20, 2011, with a follow up meeting scheduled for Friday, February 11th, to look at revised drawings on the proposed building and also review budget numbers in order to make recommendations to the Budget and Finance Development Committee.

Advisory Committee on Countywide Conservation – Mark V. Lowry/Kathy Turner Jones. Mark Lowry, District Consultant, stated that the report was submitted to the Montgomery County legislative delegation and that at this time there has been no feedback.

ENGINEERING REPORT:

Mark Lowry, District Consultant, stated his report was included in the packets. In addition to the information provided Mr. Lowry stated that his last month's activities included the various GRP Sponsors meeting, reviewing and commenting on GRP drafts received to date, as well as meeting with GRP consultants.

GENERAL COUNSEL REPORT:

Jason Hill, General Counsel, updated the Board on pertinent legal issues and developments impacting the District since the last regular Board Meeting. Mr. Hill stated that a decision was made on the TexCom applications and it was not in our favor. The appeal process starts once TCEQ issues the final order, this has not yet been done, once it is completed it will be circulated with the Board and future action will be discussed. Mr. Hill continued by stating that the Texas legislature is still in session in Austin and while there are no major efforts underway on water conservation, a new bill has been filed. Senator Frazier of the Horseshoe Bay area has filed a senate bill that has been advocated by The Cattle Raiser Association and the Texas Farm Bureau that would purport to define the property rights that land owners have on groundwater that underlines their property. It is an important bill which will more than likely get a great deal of recognition and Mr. Hill will have more to report on it as the weeks go on.

Update regarding 2010 Annual Report for the Lone Star Groundwater Conservation District. Ms. Jones stated that the District is in the process of compiling the 2010 Annual Report and will have that for review at the March Board Meeting.

GENERAL MANAGER'S REPORT:

Kathy Turner Jones, General Manager, stated that her report was included in the Board packets and that she had no additional items to discuss with the District and if anyone had any questions, she would be glad to address them.

PUBLIC COMMENT: None

NEW BUSINESS:

There being no further business, upon a motion by Director Weisinger, seconded by Director Moffatt, President Tramm adjourned the meeting at 11:03 a.m.

PASSED, APPROVED, AND ADOPTED THIS 8th DAY OF MARCH, 2011.

Samantha Reiter, Assistant Secretary for
M. Scott Weisinger, Board Secretary