

LONE STAR GROUNDWATER CONSERVATION DISTRICT

March 7, 2011

MINUTES OF BOARD WORKSHOP

The Lone Star Groundwater Conservation District (“District”) held a “Board Workshop” to review the draft FY2011 Operating and Capital Outlay Budget, at 207 W Phillips Street, Suite 300, Conroe, Texas, Monday, March 7, 2010, at 2:00 p.m.

President Tramm called to order the Board Workshop 2:10 p.m. and called the meeting 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.
Rick Moffett
Jim Stinson, PE
Richard J. Tramm
Scott Weisinger, PG
Jim Wesley
W. B. Wood

All members of the Board were present, with the exception of Directors Stinson, Eichelberger, and Wesley, thus constituting a quorum of the Board of Directors. Also in attendance at said meeting were Kathy Turner Jones, District General Manager and Daphne Walker, Bookkeeper.

The Board reviewed the draft 2011 budget proposals provided by the General Manager. Revisions and changes were discussed.

Upon a motion by Director Wood, seconded by Director Weisinger, the Committee approved recommending the draft Operating and Capital Outlay budgets for 2011 as amended to the Board of Directors for final approval. Motion carried. Included in the motion, was the recommendation to finance the proposed Capital Outlay expenditures over a three (3) period.

Without further discussion, and there being no further business the meeting was adjourned.

Scott Weisinger, Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

March 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 March 8, 2011.

President Tramm called the meeting to order at 9:03 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 Baker, Director McCoy, and 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 went into a Closed Executive Session at 9:08 a.m. pursuant to Texas Government Code, Sections 551.071 or 551.072, to consult with the District's attorney 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, or to deliberate the purchase, exchange, lease, or value of real property.

Director McCoy arrives at 9:06 a.m. and Director Baker arrives at 9:24 a.m.

Following Executive Session, the Board reconvened in Open Session and declared it open to the public at 9:57 a.m.

No action was taken on matters discussed in Executive Session and the meeting was adjourned at 9:57 a.m.

PASSED, APPROVED, AND ADOPTED THIS 12th DAY OF APRIL, 2011.

M. Scott Weisinger, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

March 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 March 8, 2011.

President Tramm called to order the Public Hearing on Permit Applications at 10:10 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, **Floyd Woodson, Jr.** – Applicant is requesting an Operating Permit for an existing well that staff found in non-compliance. Applicant provides water to two single-family homes and a taxidermy business. 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 Baker, and seconded by Director Moffatt to approve the above permit application in accordance with the recommendations of the General Manager. Motion passed.

Item #2, **Lake Conroe Park and RV** – Applicant is requesting an Operating Permit for an existing well that staff found in non-compliance. Applicant provides water to an RV park. 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 Baker, and seconded by Director Moffatt to approve the above permit application in accordance with the recommendation of the General Manager. Motion passed.

Item #3, **Southern Crushed Concrete** – Applicant is requesting a permit amendment in order to drill a new well and is also requesting an additional 8,900,000 gallons. 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 Baker, and seconded by Director Moffatt to approve the above permit amendment in accordance with the recommendations of the General Manager. Motion passed.

Item #4, **Shoreline Storage** – Applicant is requesting an amendment to increase allocation under their existing Operating Permit. 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 Baker, and seconded by Director Moffatt to approve the above amendment in accordance with the recommendation of the General Manager. Motion passed.

Item #5, **Havenshire Water System** – Applicant is requesting an amendment for drilling authorization only under their existing Operating Permit. 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 Baker, and seconded by Director Moffatt to approve the amendment in accordance with the General Manager. Director Weisinger abstains. Motion passed.

Item #6, **Montgomery County UD 3 (AWS Production Well)**, and Item #7 **Montgomery County MUD 18 (AWS Production Well)** – It is the General Manager’s recommendation to postpone decisions on these applications until the April 12th Board meeting, to allow consultants to finalize review of the applications. Mark Lowry, District Consultant stated that the members of the Brackish Groundwater Hydrogeology Team; John Seifert, Steve Young, Van Kelly and Bill Mullican, have put together a list of items that they need to have from applicants prior to making a decision on pumping authority. In order to confidently grant the permits, the group needs to see the electric logs and pump tests from the actual test wells and/or production wells, to show that there is water and it will be available for long-term future use. Unfortunately, the electric logs and pump tests for Montgomery County UD 3 and Montgomery County MUD 18 were not submitted until last Friday, thus the panel has not had significant time to completely review the documents and are not in a position to make recommendations today. President Tramm stated that no action was needed at this time and the items will remain on the agenda for the April board meeting.

President Tramm adjourned the Public Hearing on Permit Applications at 10:26 a.m.

PASSED, APPROVED, AND ADOPTED THIS 12th DAY OF APRIL, 2011.

M. Scott Weisinger, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

March 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 March 8, 2011.

President Tramm called to order the regular Board of Directors meeting at 10:26 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”.*

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 Weisinger and unanimously carried, to approve the meeting minutes as presented:

- a) February 8, 2011, Special Board Meeting
- b) February 8, 2011, Public Hearing on Permit Applications
- c) February 8, 2011, Regular Board of Directors Meeting

COMMITTEE REPORTS:

Water Awareness and Conservation Committee – Billy Wood, Chair. Director Wood reported that the committee had not met since the last Board meeting. Ms. Jones added that the mobile lab trailer is scheduled to be in Splendora this week appearing at both the elementary and middle schools.

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 had not met since the last Board meeting.

Budget and Finance Development Committee – Jim Stinson, Chair. Director Stinson reported that the committee met to review the draft budget for 2011. A final draft with the capital outline is included for the Board members approval. The committee has recommended that the District move forward with a \$2.1 million budget for 2011 fiscal year.

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. The District shows an income of \$1.2 million through February and expenses of \$193,000.

Discuss, consider, and take possible action regarding approval of Resolution #11-003 adopting FY 2011 Operating and Capital Outlay Budgets. A motion was made by Director Weisinger, seconded by Director Stinson and unanimously carried to approve the FY 2011 Operating and Capital Outlay Budgets.

Findings and Review Committee. Ms. Jones reported that the committee had not had an official meeting since the last Board meeting, but the committee did attend the Regional Stakeholders Update Meeting in Friendswood at the Harris-Galveston Subsidence District.

Update and status project report related to Regional Groundwater Update Project. Mr. Lowry stated that he received an update report from Freese & Nichols, which showed that there had been continuous work on the subsidence model; the testing of revision issues on the groundwater model; and approval of two additional work orders to start on the water and population demand studies. Mr. Lowry added that there is a Regional Stakeholders Meeting on March 28th and the panel will be providing additional updates.

Update and status project report related to the District's modeling study of the Catahoula Formation/Aquifer. Mr. Lowry confirmed that the process is ongoing and that the committee is working on putting together a draft contract with LBG-Guyton and Intera for the development of the model.

Building and Facilities Committee – Kathy Turner Jones. Ms. Jones stated the committee has met and reviewed the 2011 budget proposals and has agreed to move forward with design plans on the new building. Currently a tree analysis is being performed on the

property; we are awaiting approval on the plat by the City Commission and are working with the engineers to get the site developed.

COMMITTEE ASSIGNMENTS:

Due to Director Wesley's resignation, President Tramm stated that no action will be taken regarding committee assignments until his position is replaced. President Tramm added that Director Moffatt will continue to serve on Orval Love's committee assignments.

ENGINEERING REPORT:

Mark Lowry, District Consultant, stated his report was included in the packets. In addition to the information provided Mr. Lowry stated that he has been largely dealing with GRP issues for the last month. The District has had a number of meetings for GRP sponsors, as well as a meeting with the large volume non-public water systems, such as golf courses and other users who do not serve water to people for indoor use but still use over 10 million gallons. There is approximately forty (40) large volume non-public users, all of whom staff has either spoken with or have attended the GRP meetings.

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. The first item of business is regarding to the TexCom hearing. Mr. Hill confirmed that TCEQ has issued their orders reflecting its decision of January 26th, with efforts to request reconsideration being heard on March 17th. The TCEQ issued two orders, one which reflects its decision on the request for the surface water application, and the second reflecting its decision for the actual injection well application. Director Stinson added that based legal advice received in executive session, the District will not file a formal appeal. The District's decision was based on technical information, the District's technical position, and the position Denbury Offshore took. The Administrative law judges sought fit to recognize Denbury's technical objection more so than the Districts, thus for the District to file an appeal when Denbury is doing so would be counterproductive. The District remains dedicated and made a commitment with our legal resources to continue to fight the objection well permit. Ms. Jones added that legal counsel will be formulating a press release on the District's position. Mr. Hill advised that the Board entertain a motion that directs legal counsel to undertake actions consistent with the advice rendered in closed session. A motion was made by Director Stinson, seconded by Director Weisinger and unanimously passed to allow for legal counsel to act based upon advice rendered in Executive closed session.

Mr. Hill explained that the second item was concerning groundwater ownership and the role of groundwater conservation districts in managing that resource. On March 1st, the Senate Natural Resources committee took up Senate Bill 332, which was offered by the chairman of the committee, Senator Troy Fraser of Horseshoe Bay, and Senate Bill 667, authored by Senator Robert Duncan from Lubbock, another member of the committee. Both the Senate and House bills articulate different angles on the issue of the role of Groundwater Conservation Districts

with respect to groundwater ownership in place. The committee meeting lasted seven hours, with the bulk of that coming from people invited to voice their support on one or both of the bills. It is clear following the hearing and the discussions that took place that there is as much confusion in the law, as folks on either side of the issue claims there is certainty. There was no formal action taken on either bill, though there is indication that the chairman of the committee is going to put together a stakeholders group to review whether there is a common approach that will address the concerns raised in both efforts. Identical bills were filed by Chairman Alan Ritter in the House Resources Committee.

The third item is regarding a Resolution filed in the House, seeking an amendment to Article 16, Section 59, of the Texas Constitution, referred to the Conservation Amendment. The Resolution would require that groundwater conservation districts specifically elect board members as opposed to having a board composed of appointed memberships. There has been no hearing set in the House and no companion effort that has been filed. Mr. Hill will keep the District apprised of the situation.

Mr. Hill reminded the District that formal reviews for GRP submittals will take place on April 1st, which is also the deadline for final submittals. He added that the GRP process seems to be working correctly and District staff and consultants have done a great job of staying in contact with all GRP candidates.

GENERAL MANAGER'S REPORT:

Kathy Turner Jones, General Manager, stated that her report was included in the Board packets and if anyone had any questions, she would be glad to address them. Ms. Jones added that she has included in her report a summary on the GRP status, including who has submitted drafts, who the District has met with individually, and who has attended at least one of the group meetings. The District will continue to reach out and be accessible to the public. In addition, the District is working on getting the 2010 Pumpage Reports in, which were due on February 15th, and are currently lacking about 100 reports. Past-due notices have been sent out to the users and if not received these users will go up at the April Board Meeting for violations and fines.

PUBLIC COMMENT:

Jackie Chance was heard and stated that he believes in order to know what the Catahoula Aquifer will do we need to have working wells in it. If pumping is not allowed, then you will not have the information on what it will produce or how long it will produce. The logs on the well will only tell so much, like what the aquifer should do, but you will not know how much the pumping is going effect the aquifer. The log can only tell you what is happening right there at that hole. If you have working wells, you can take draw-downs on it, you can monitor the wells, and you can find out what the aquifer will do. Mr. Chance believes that it would be in the best interest of the county and the Board to allow pumping in the aquifer in order to see what it is going to do, because until there are working wells, you do not have the key to what you are going to be able to do there. Director Stinson said he believes that the Board agrees.

NEW BUSINESS:

There being no further business, upon a motion by Director Baker, seconded by Director Weisinger, President Tramm adjourned the meeting at 10:52 a.m.

PASSED, APPROVED, AND ADOPTED THIS 12th DAY OF APRIL, 2011.

W. Scott Weisinger, Board Secretary