

**LONE STAR
GROUNDWATER CONSERVATION DISTRICT**

January 10, 2012

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 January 10, 2012.

President Tramm called the meeting to order at 9:06 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
John D. Bleyl, PE
Reed Eichelberger, PE
Roy McCoy, Jr.
Rick J. Moffatt
Jim Stinson, PE
Richard J. Tramm
M. Scott Weisinger, PG
W. B. Wood

All members of the Board were present with the exception of Director Weisinger, 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; 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 9:07 a.m. pursuant to Texas Government Code, Sections 551.071, 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.

Following Executive Session, the Board reconvened in Open Session and declared it open to the public at 10:01 a.m.

No action was taken on matters discussed in Executive Session and the meeting was adjourned at 10:01 a.m.

PASSED, APPROVED, AND ADOPTED THIS 14th DAY OF FEBRUARY, 2012.

M. Scott Weisinger, PG, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

January 10, 2012

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 January 10, 2012.

President Tramm called to order the Public Hearing on Permit Applications at 10:18 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
John D. Bleyl, PE
Reed Eichelberger, PE
Roy McCoy, Jr.
Rick J. Moffatt
Jim Stinson, PE
Richard J. Tramm
M. 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; Paul R. Nelson, Assistant General Manager; Brian L. Sledge, 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 #15, **Montgomery County MUD #18** – No action will be taken.

Item #1, **Consumers Water Company (Spring Forest)**, Item #2, **Aqua Texas, Inc. (Timberloch Estates)**, Item #3, **Aqua Texas, Inc. (Lake Conroe Village)**, Item #4, **Aqua Texas, Inc. (Lake Creek Forest)**, Item #5, **CEW Utilities LLC**, Item #6, **City of Conroe**, Item #7, **Quadvest, LP. (Mostyn Manor)**, Item #8, **Quadvest, LP. (Creekside Village)**, Item #9, **Quadvest, LP. (Indigo Lakes)**, Item #10, **Quadvest, LP. (Benders Landing)**, Item #11, **Quadvest, LP. 2 (Northcrest Ranch 1, 2 & 3)**, Item #12, **Quadvest, LP. 2 (Stonecrest**

Ranch), Item #13, **Aqua Texas, Inc. (Westwood 1&2/Old Egypt)**, Item #14, **T&W Water Services (Thousand Oaks)**, Item #16, **T&W Water Services (Millers Crossing)**, Item #17, **Aqua Texas, Inc. (Carriage Hills)**, Item #18, **Aqua Texas, Inc. (Crystal Forest)**, Item #19, **Aqua Texas, Inc. (Legends Ranch)**, and Item #24, **Montgomery County Pct. 2 (Football Field)** – Applicants are requesting amendments to their existing permits for additional production authorization for 2011 only. 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 Baker, and seconded by Director Stinson to approve the above amendments in accordance with the recommendations of the General Manager. Director Weisinger abstains from voting and the motion passed.

Item #20, **Consumers Water Company (Peach Creek Oaks)**, Item #21, **Consumers Water Company (Porter Terrace)**, Item #22, **Roman Forest Consolidated MUD**, Item #23, **April Plaza Marina**, Item #25, **Sam Houston Memorial Funeral Home**, Item #26, **Stone Hedge Utility Co.**, Item #27, **Azim, Inc.**, Item #28, **Aqua Texas, Inc. (Pine Vista)**, Item #29, **Domestic Water Company**, Item #30, **GEOT, LP**, Item #31, **Gulf Coast Stabilized Materials (FM 1488)**, Item #32, **Weisinger Incorporated (Shop)**, Item #36, **Thousand Trails Lake Conroe**, Item #39, **Roan Enterprises I, LP.**, Item #41, **Texas Outdoor Power**, and Item #42, **Tom Lipar** – Applicants are requesting amendments to their existing permits for additional production authorization for 2011 and annually thereafter. 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 Baker, and seconded by Director Stinson to approve the above amendments in accordance with the recommendations of the General Manager. Director Weisinger abstains from voting and the motion passed.

Item #33, **Weisinger Incorporated (Supply Well SJRA)**, and Item #34, **Brad Chapin** – Applicants are requesting drilling authorization for a new well and production authorization for 2012 and annually thereafter. 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 Baker, and seconded by Director Stinson to approve the above permit amendment in accordance with the recommendations of the General Manager. Director Weisinger abstains from voting and the motion passed.

Item #35, **Steve Lowe (Lowe’s Water Gardens)** – Applicant is requesting drilling authorization for a new well and production authorization for 2012 and annually thereafter for 1 million gallon per year for commercial use on the applicant’s property for water fountains/water gardens and related features and landscaping. Based on technical review of the information supplied by application, it is the General Manager’s recommendation to approve that which is requested. Comments were heard from Janet Bellamy, representing Quadvest, who stated that she intended to protest the application on behalf of Quadvest. Ms. Bellamy stated that Quadvest provides water on both sides of customer and has water lines running in front and along sides of Mr. Lowe’s property and that Quadvest has a certificate of convenience and necessity (CCN) for retail water service for the property, and that she therefore believes that Mr. Lowe should be required by law to obtain water service from Quadvest. Ms. Bellamy stated that they had given notice to Mr. Lowe that they would be protesting. A representative for Steve Lowe (Lowe’s Water Gardens) was not in attendance.

President Tramm appointed District Counsel, Brian Sledge, as a co-presiding officer for the Board for a hearing on Quadvest's protest of the application. In response to questioning by Mr. Sledge, Ms. Bellamy confirmed that the sole grounds for the protest is that Quadvest has the retail water supply CCN for the applicant's property and that the applicant should be required because of that to obtain service from Quadvest. Mr. Sledge questioned whether the applicant had any objections to the sufficiency of the public notice provided regarding the application and hearing on it. Ms. Bellamy confirmed that she did not have any objections to the notice. Mr. Sledge noted for the Board and the record that it appears that notice was provided in accordance with the District Rules and applicable law. Mr. Sledge then advised Ms. Bellamy that the District's position is that disputes regarding CCN's and their enforcement is the exclusive jurisdiction of the Texas Commission on Environmental Quality (TCEQ), and that the District is not in a position to police CCN disputes and has no jurisdiction over them. Mr. Sledge encouraged Ms. Bellamy and Quadvest to visit with their attorney regarding whether they should pursue action at the TCEQ, but noted that, with the limited information he had about the application and the CCN, he did not think an application like this would be a likely violation of the TCEQ's CCN rules. Mr. Sledge then recommended that the Board President deny the request for a contested case hearing and proceed with action on the application. President Tramm then confirmed with the General Manager that the application complies in her opinion with the District Rules and that she still recommended approval of the application. President Tramm then denied the request for a contested case hearing and proceeded with action on the application as an uncontested one under the District Rules. A motion was made by Director Eichelberger, and seconded by Director Moffatt, to approve the above permit application in accordance with the recommendations of the General Manager. Director Weisinger abstained and Director McCoy voted against the recommendation. The motion prevailed with 7 ayes.

Item #37, **City of Woodbranch Village** – Applicant is requesting drilling authorization for a new well, no additional authorization is being requested. 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 Baker, and seconded by Director Stinson to approve the above permit amendment in accordance with the recommendations of the General Manager. Director Weisinger abstains from voting and the motion passed.

Item #38, **Western Rim** – Applicant is requesting drilling authorization for a new well and production authorization for 2012 and annually thereafter. 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 Baker, and seconded by Director Stinson to approve the above permit application in accordance with the recommendations of the General Manager. Director Weisinger abstains from voting and the motion passed.

Item #40, **Old Mill Lake Subdivision** – Applicant is requesting an amendment to their existing permit to add four (4) existing wells and additional allocation. 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 Baker, and seconded by Director Stinson to approve the above permit amendment in accordance with the

recommendation of the General Manager. Director Weisinger abstains from voting and the motion passed.

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

PASSED, APPROVED, AND ADOPTED THIS 14th DAY OF FEBRUARY, 2012.

M. Scott Weisinger, PG, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

January 10, 2012

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 January 10, 2012.

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
John D. Bleyl, PE
Reed Eichelberger, PE
Roy McCoy, Jr.
Rick J. Moffatt
Jim Stinson, PE
Richard J. Tramm
M. 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; Paul R. Nelson, Assistant General Manager; Brian L. Sledge, 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 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) December 13, 2011, Special Board Meeting
- b) December 13, 2011, Public Hearing on Permit Applications
- c) December 13, 2011, Regular Board of Directors Meeting

COMMITTEE REPORTS:

Water Awareness and Conservation Committee – Billy Wood, Chair. Director Wood stated that the committee had not met since the last Board meeting.

Briefing on conservation efforts. Mr. Nelson gave an update on LSGCD's conservation efforts. Mr. Nelson stated that the Water on Demand campaign's initial efforts were coming to a close and that at the end of the month, the program would enter into the "maintenance" phase. The final number of restaurants going into the maintenance phase is 56 with some having multiple locations. The children's coloring sheets are very popular and continue to be in demand. The District will continue to provide them to interested parties. Mr. Nelson also reported that the video being shown at the various movie venues continues to be shown on every screen before every movie during the "Coming Attractions" segment. The mobile lab trailer will undergo a revamping at the shop where it was constructed in Katy, Texas. Displays will be changed out to, among other things, create a more kid-friendly experience. Mr. Nelson added that he attends the monthly meetings of the City of Conroe Conservation Committee. He also introduced Mr. Chris Loomis, Water Conservation Manager for the City of Conroe, who was in the audience. Mr. Nelson and staff continue to work on updating the District's website and will look into the addition of a visitor counter on the site.

Rules and Bylaws Committee – Kathy Turner Jones, Coordinator. Ms. Jones reported that the committee has not met since the last board meeting. Brian Sledge, General Counsel, stated that he had to change his plan of action with regard to the Rules Amendment package due to new items that have caused Counsel and staff to review permit amendment applications, how the rules are being interpreted and how they will be processed in light of the District Regulatory Plans. Additionally, Mr. Sledge will be implementing protocols for staff processing of permit applications that have impact on Total Qualifying Demand Groundwater Reduction Plans. Mr. Sledge explained that our existing application forms do not request all the information that we need to request in order for the District to keep close track of exactly what types of permit amendments will happen. This information is becoming more important and more complex as large volume groundwater users start to bring alternative water sources online or seek to reduce usage amounts earlier through a permit amendment in anticipation of having to reduce their Total Qualifying Demand to 75% by 2016, under the District's Regulatory Plan. Mr. Sledge stated that he will be working on developing protocols and new amendment applications to discuss with the Rules committee and will meet again soon to discuss them before next month's Board meeting.

Policy and Personnel Development Committee – Sam W. Baker, Chair. Director Baker stated that the committee had not met since the last Board meeting. Ms. Jones stated that the District is proud to welcome Rod Hainey as its new Field Operations Coordinator. Rod joined the District effective the first of January. Rod has over 15 years experience in public works and is a licensed water and wastewater operator through the State of Texas. In addition, Rod is a certified floodplain manager. This position works closely with Permitting to ensure proper permitting and documentation of groundwater/surface water use as well as verifying accuracy of well permits, communicating with well permittees on compliance issues, and verifying well locations, meters and pumpage.

Findings and Review Committee. Mr. Nelson provided an update of the activities of the committee since the last Board meeting.

Discuss, consider, and take action as necessary concerning approval of a funding agreement with USGS for Water-Quality Reconnaissance at Select Wells currently drilled or to be drilled into the Catahoula formation; such reconnaissance to be limited to testing for Carbon 14 and other select isotopes for the purpose of accumulating data to assist the District in the determination of the age and sources of the waters in the formation. Mr. Nelson informed the Board that a meeting of the committee was held on Friday, January 6th for follow-up discussions with USGS relative to the proposed funding for testing of isotopes and Noble gases in various Catahoula production wells. Mr. Nelson explained that these tests would be for elements not normally tested for during routine drinking water evaluation and would be instrumental in the future modeling of the Catahoula and for determining the age and source of waters within the Catahoula. Mr. Nelson reported that the committee had voted to move forward and recommended that an amount not to exceed \$150,000 for 2012 be approved by the Board for these purposes. A total (maximum) of six (6) production wells, would be tested with these funds. After much discussion and with input from Mr. Mike Turco of USGS, a motion made by Director Stinson, seconded by Director Bleyl, with Director Weisinger abstaining, was unanimously carried to authorize the General Manager to execute a funding agreement with USGS for Water-Quality Reconnaissance at Select Wells currently drilled or to be drilled into the Catahoula formation for the period of 01.01.12 through 12.31.12, not to exceed the amount of \$150,000.

Update and status project report related to Regional Groundwater Update Project with HGSD and the FBSD. Mark Lowry began by stating that a copy of the report from Freese & Nichols detailing the month's activities was included in the board packet. Mr. Lowry stated that the primary focus has been meetings that have been held with the Texas Water Development Board (TWDB) on population and water demand studies as well as on the groundwater model itself. Mr. Lowry explained that if there are not any major discrepancies with the State Data Center, the Water Development Board would be willing to accept the population and water demands that are being developed for use in the next Regional Plan. TWDB did mention that due to staffing issues they will more than likely be reduced to using the 2006 or 2009 per capita water demand reports from the various entities, as they will not have time to process anything newer than that for the next round of Regional planning. Mr. Lowry stated that because the water demand calculations are based on current data from all the various county entities involved, this will be a benefit to the Board as it is better data than they have available. He believes it will be accepted without any problems. Additionally, Work Orders #1 and #2 have been closed out and the last amount of work is being done on Work Orders #3 and #4. The model has been finalized and they will start running different scenarios of usage over time to determine impacts on the aquifers and then input those results sometime in 2012. The next Regional Groundwater Update Project meeting will be held on January 18th.

Update and status project report related to the District's modeling study of the Catahoula Formation/Aquifer. Mark Lowry stated that the panel is close to completing the model and expects a presentation to the committee in February with discussion on how to proceed with presenting these findings to the public.

Building and Facilities Committee – Kathy Turner Jones. Ms. Jones stated that the committee had not met since the last regular board meeting. Construction is moving along as

anticipated and to date have only experienced limited delays due to weather and supply receivables. Move-in to the facility is still targeted for the first part of April. Concrete forms were set this past week for the above ground cisterns and the dumpsters. The above ground cisterns were scheduled for installation yesterday but were delayed due to the heavy rains. All spray foam insulation is completed and the final roof panels are being installed. Hanging of the drywall and finishing has been completed as well. All exterior masonry has been completed with the exception of the sills for above and below the windows. Depending on the weather, the underground cisterns are scheduled to be set and the pads for the above grounds will be poured. They plan to begin the ceramic tiling and painting this week as well.

The District continues to pursue reimbursement from Byrne Medical for costs incurred related to the encroachment of their sewer line on the District's property. These include repair, surveying and engineering changes and amount to approximately \$8,720. If the District grants an easement to relocate the sewer line, the cost to survey and prepare the easement documents will be added to this total. The District sent correspondence last week requesting a reply that includes a pledge to reimburse the District for costs incurred as well as a pledge to relocate the sewer line by September 30, 2012. If such a reply is not received by January 31, 2012, the District may take action to protect its property from the unauthorized encroachment. A site visit of the project for the Building Committee is being finalized for either this week or early next to review the progress.

Budget and Finance Development Committee – Jim Stinson, Chair. Director Stinson reported that the committee has not met since the last Board meeting but has scheduled a meeting for January 25th to begin reviewing the 2012 budget.

Review of Monthly Financial Reports. Director Stinson stated he had reviewed the monthly financial reports and if anyone had any questions he would be glad to address those. The District shows the operating budget has an income of \$240,000 over budget and expenses of \$266,000 under budget. The capital improvement program has a budgeted expense of \$1.3 million versus an actual expense of \$598,000.

Discuss, consider, and take action to approve Budget and Finance Committee's recommendation of audit firm to serve as the District's auditor for the fiscal years of 2011 and 2012. A motion was made by Director Baker, seconded by Director Bleyl, and unanimously carried to approve the recommendation of audit firm to serve as the District's auditor for the fiscal years of 2011 and 2012.

Review 4th Quarterly Investment Report 2011. Director Stinson stated the report was included in the packet and he would answer any questions related to it.

ENGINEERING REPORT:

Mark Lowry, District Consultant, stated that his report was included in the packet and if there were any questions he would be happy to answer them. This month Mr. Lowry's work has consisted of reviewing permit applications, updating the watering recommendations spreadsheets with the evaporation and rainfall data, and attending the meetings related to the Groundwater model and the Catahoula model.

DISCUSSION AND POSSIBLE ACTION TO ISSUE A SHOW CAUSE ORDER DIRECTING 1404 BLAKE TREE, OP-07120602B, OR THEIR DESIGNATED REPRESENTATIVE, TO APPEAR AT A SHOW CAUSE HEARING FOR THAT PURPOSE AND SHOW CAUSE WHY APPROPRIATE ENFORCEMENT ACTION SHOULD NOT BE TAKEN, INCLUDING WITHOUT LIMITATION INITIATING A LAWSUIT AGAINST THE PERMITTEES, FOR FAILURE TO REMIT WATER USE FEES ASSOCIATED WITH THE AUTHORIZED PERMITTED WITHDRAWAL OF GROUNDWATER IN 2011.

Based on legal advice received in Executive Session, it is the General Manager's recommendation to order a Show Cause Hearing to be held in conjunction with the February 14, 2012 Board meeting for failure to remit water use fees associated with the authorized permitted withdrawal of groundwater in 2011.

A motion was made by Director Eichelberger, seconded by Director Wood and unanimously carried, to proceed with the recommendations of the General Manager.

UPDATE AND STATUS REPORT ON INSTALLATION OF PERIODICALLY ACCESSIBLE MONITOR ("PAM") EQUIPMENT FOR SUBSIDENCE MONITORING – Paul R. Nelson.

Mr. Nelson stated that the fence has been built on Montgomery County Precinct 2's property and it will go into the rotation soon. Montgomery County Precinct 4's fence was built two weeks ago and we have established one recording from that site. Mr. Nelson is happy to report that all the eight (8) PAM units are now being monitored by the District. The next step is waiting for the data to come in.

GENERAL COUNSEL REPORT:

Brian L. Sledge updated the Board on pertinent legal issues and developments impacting the District since the last regular Board Meeting. Mr. Sledge stated that he is paying attention to the Water Development Board as they have just started their rule-making process for drafting its rules to implement all the changes from the legislative session with regards to the Desired Future Condition process and plan changes. Mr. Sledge will continue to keep the Board apprised of any updates.

GENERAL MANAGER'S REPORT:

Kathy Turner Jones, General Manager, stated that her report was included in the packets and if anyone had any questions she would be glad to address them. Ms. Jones stated that budget items are being worked on. She further reported that in 2011 there were a number of one-time permit amendments totaling 105K acre-feet. Ms. Jones expects that number to drop again in 2012.

PUBLIC COMMENT: None.

NEW BUSINESS: None.

There being no further business, upon a motion by Director Wood, seconded by Director Baker, President Tramm adjourned the meeting at 11:38 a.m.

PASSED, APPROVED, AND ADOPTED THIS 14th DAY OF FEBRUARY, 2012.

M. Scott Weisinger, PG, Board Secretary