

LONE STAR GROUNDWATER CONSERVATION DISTRICT

February 12, 2013

MINUTES OF SPECIAL MEETING

Lone Star Groundwater Conservation District (“District”) held a “Special Meeting,” open to the public, at 655 Conroe Park North Drive, Conroe, Texas, within the boundaries of the District on February 12, 2013.

President Tramm called the meeting to order at 9:08 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 Baker, 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; Jason Hill, District Attorney; 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 9:09 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.

Director Baker arrived at 9:25 a.m.

Following Executive Session, the Board reconvened in Open Session and declared it open to the public at 10:03 a.m.

No action was taken on matters discussed in Executive Session and the meeting was adjourned at 10:03 a.m.

PASSED, APPROVED, AND ADOPTED THIS 12th DAY OF MARCH, 2013.

M. Scott Weisinger, PG, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

February 12, 2013

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 655 Conroe Park North Drive, Conroe, Texas, within the boundaries of the District on February 12, 2013.

President Tramm called to order the Public Hearing on Permit Applications at 10:14 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; Jason Hill, District Attorney; 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, **City of Willis – AWS Well #7** and Item #2, **City of Willis – AWS Well #6** – The applications will be combined into one, **City of Willis – AWS Production Wells**. Applicant is requesting authorization to begin construction of two (2) Alternative Water Supply Wells which are to be drilled into the Catahoula Formation. In addition to the construction authorization, applicant is seeking a total allocation for the proposed wells of 154 million gallons for 2013 and 2014. Based on technical review of information supplied, it is the General Manager’s recommendation to approve that which is being requested. Upon a motion made by

Director Eichelberger, seconded by Director Baker, the City of Willis – AWS Well #6 and City of Willis – AWS Well #7 permit applications were approved in accordance with the General Manager’s recommendations. Directors Bleyl and Weisinger abstained. Motion passed.

Item #3, **Western Rubber & Mfg.** – Applicant is requesting an amendment to an Operating Permit for an increase in production authorization in the amount of 15,000 gallons for 2012 and 165,000 gallons annually thereafter. Based on technical review of information supplied, it is the General Manager’s recommendation to approve that which is being requested.

Item #4, **Porter Special Utility District** – Applicant is requesting an amendment to its Operating Permit for an increase in production authorization in the amount of 50,000,000 gallons for 2012 and annually thereafter. The Porter SUD GRP Administrator has been notified by email and has not submitted any comments on the request. Based on technical review of information supplied, it is the General Manager’s recommendation to approve that which is being requested.

Item #5, **Woodlands Islamic Center** – Applicant is requesting an amendment to its Operating Permit for an increase in production authorization in the amount of 400,000 gallons for 2012 and 44,000 gallons annually thereafter. Based on technical review of information supplied, it is the General Manager’s recommendation to approve that which is being requested.

Item #6, **Montgomery County MUD #15** – Applicant is requesting an amendment to its Operating Permit for an increase in production authorization in the amount of 2,000,000 gallons for 2012 and annually thereafter. The SJRA GRP Administrator has been notified by email and has not submitted any comments on the request. Based on technical review of information supplied, it is the General Manager’s recommendation to approve that which is being requested.

Item #7, **E.B.J.V., Inc. (Elks Lodge)** – Applicant is requesting an amendment to its Operating Permit for an increase in production authorization in the amount of 95,000 gallons for 2012 and annually thereafter. Based on technical review of information supplied, it is the General Manager’s recommendation to approve that which is being requested.

Item #8, **E.B.J.V., Inc. (Exxon Rd. /Union Pacific Resources)** – Applicant is requesting an amendment to its Operating Permit for an increase in production authorization in the amount of 54,000 gallons for 2012 and annually thereafter. Based on technical review of information supplied, it is the General Manager’s recommendation to approve that which is being requested.

Item #9, **E.B.J.V., Inc. (Wainoco)** – Applicant is requesting an amendment to its Operating Permit for an increase in production authorization in the amount of 36,000 gallons for 2012 and annually thereafter. Based on technical review of information supplied, it is the General Manager’s recommendation to approve that which is being requested.

Item #10, **E.B.J.V., Inc. (Bert Brown Rd.)** – Applicant currently holds a Historic Use Permit and is requesting the issuance of an Operating Permit for an increase in production authorization in the amount of 545,000 gallons for 2012 and annually thereafter. Based on technical review of information supplied, it is the General Manager’s recommendation to approve that which is being requested.

Item #11, **Montgomery County Pct. 2 (Community Center)** and Item #13, **Clean Energy Texas LNG** – Applicants are requesting amendments to their Operating Permits for drilling authorization for a new well each. No additional production authorization is being requested for either applicant at this time. Based on technical review of information supplied, it is the General Manager’s recommendation to approve that which is being requested.

Item #12, **Forest Shadows Pet Resort** – Applicant is requesting an amendment to an Operating Permit for an increase in production authorization in the amount of 250,000 gallons for 2012 and annually thereafter. Based on technical review of information supplied, it is the General Manager’s recommendation to approve that which is being requested.

Item #14, **Big Diamond (Calvary)** and Item #15, **Big Diamond (FM 1097)** – Applicants are requesting drilling authorization for new wells to be drilled with a production authorization of 500,000 gallons each for 2013 and annually thereafter. Based on technical review of information supplied, it is the General Manager’s recommendation to approve that which is being requested.

Item #16, **James Knowles** - This is an existing well that staff found in non-compliance. Applicant is requesting registration of the well and production authorization in the amount of 5,000,000 gallons for 2013 and annually thereafter. Based on technical review of information supplied, it is the General Manager’s recommendation to authorize a reduce amount of 2,000,000 gallons for 2013 and annually thereafter.

Item # 17, **Extraordinary Education Center (Lessee)** – This is an existing well that staff found in non-compliance. Applicant is requesting registration of the well and production authorization in the amount of 400,000 gallons for 2013 and annually thereafter. Based on technical review of information supplied, it is the General Manager’s recommendation to approve that which is being requested.

Item #18, **Paramount At Kingwood** – This is an existing well that staff found in non-compliance. Applicant is requesting registration of the well and production authorization in the amount of 1,000,000 gallons for 2013 and annually thereafter. Based on technical review of information supplied, it is the General Manager’s recommendation to authorize a reduced amount of 400,000 gallons for 2013 and annually thereafter.

Item #19, **RediDrill Energy (Lessee)** – This is an existing well that staff found in non-compliance. Applicant is requesting registration of the well and production authorization in the amount of 300,000 gallons for 2013 and annually thereafter. Based on technical review of information supplied, it is the General Manager’s recommendation to authorize a reduced amount of 170,000 gallons for 2013 and annually thereafter.

Item #20, **Western Rim Property Services (The Estates Woodland Apartments)** – Applicant is requesting drilling authorization for a new well to be drilled with a production authorization of 9,500,000 gallons for 2013 and annually thereafter. Based on technical review

of information supplied, it is the General Manager's recommendation to approve that which is being requested.

Item #21, **Cameron** – This is an existing well that staff found in non-compliance. Applicant is requesting registration of the well and production authorization in the amount of 700,000 gallons for 2013 and annually thereafter. Based on technical review of information supplied, it is the General Manager's recommendation to approve that which is being requested.

Upon a motion made by Director Eichelberger, seconded by Director Stinson, items #3 thru #21 were approved in accordance with the General Manager's recommendations. Director Bleyl and President Tramm abstained from item #4, Porter Special Utility District while Director Weisinger abstained from item #13, Clean Energy Texas LNG. Motion passed.

President Tramm adjourned the public hearing on permit applications at 10:17 a.m.

PASSED, APPROVED, AND ADOPTED THIS 12TH DAY OF MARCH, 2013.

M. Scott Weisinger, PG, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

February 12, 2013

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 655 Conroe Park North Drive, Conroe, Texas, within the boundaries of the District on February 12, 2013.

President Tramm called to order the regular Board of Directors meeting at 10:18 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; Jason Hill, District Attorney; 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. The General Manager pointed out that there was an error in the ending and beginning times for the Public Hearing on Permit Applications and the Regular Hearing minutes. Upon review of the following, a motion was made by Director Moffatt, seconded by Director Bleyl and unanimously carried, to approve the meeting minutes with corrections:

- a) January 8, 2013, Special Board Meeting
- b) January 8, 2013, Public Hearing on Permit Applications
- c) January 8, 2013, 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. He asked that Paul R. Nelson, to give an update the Board on conservation activities since the last Board meeting.

Briefing on conservation efforts. Mr. Nelson advised the Board that the Water Efficiency Network held its monthly meeting on January 17th at the City of Houston's Northeast Water Plant and Water Museum. A presentation was given by Auggie Campbell of the City of Houston's Legal Department and focused on pending legislation and water law.

Mr. Nelson then stated that he was working with area attorneys to arrange appearances at the board meetings for several utility districts to discuss Lone Star's activities as well as conservation. He hopes to continue to meet one-on-one with district boards throughout the year.

Mr. Nelson then told the Board that in lieu of the February meeting of the Water Efficiency Network, the District and others will be sponsoring the Gulf Coast Water Conservation Symposium on February 19th, to be held at the Lone Star College Community Building. The focus of the symposium will be on rate studies and how districts and other retail water providers can put into place water rates that encourage conservation while still being able to fund operations, maintenance, and capital projects. There will be three speakers from out of state that will discuss successes in other cities.

Mr. Nelson also informed the Board that he is continuing his contact of the managers of restaurants that have dropped off on their commitment to serve water only on request. While it seems most restaurants are continuing the practice, there are a few that have started serving water without asking and he has been making efforts to contact those establishments personally.

Rules Development Committee – Kathy Turner Jones, Coordinator. Ms. Jones reported that the Rules and Development Committee had not met since the January 8th 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 and had no report.

Findings and Review Committee – Paul R. Nelson, Coordinator. Mr. Nelson reported that the committee has not met since the January 8th Board meeting.

Update and status project report related to Regional Groundwater Update Project w/HGSD and the FBSD – Mark Lowry. Mr. Lowry, District Consultant, reported that the Harris Galveston study is very near complete. The only remaining activity is to produce one additional model that will reflect the actual conditions based on the regulatory changes that the Harris Galveston Subsidence District and the Fort Bend Subsidence District have adopted.

Consider, discuss and take possible action on committee recommendation regarding acceptance of technical memorandum summarizing results of the Catahoula Formation Hydrostratigraphic and Model Study. Mr. Nelson reminded the Board that Mr. John Seifert had provided an

overview of the technical memo relating to the Expert Panel Review of the Final Draft Report entitled, "Catahoula Aquifer Characterization and Modeling Evaluation in Montgomery County" at the meeting on January 8th. Mr. Nelson stated that the comment received had been incorporated into the memorandum and that the final document had been signed by all members of the expert panel. A motion to accept the technical memorandum was made by Director Eichelberger, seconded by Director Baker and unanimously carried.

Mr. Nelson then reported that the USGS recharge study, "Estimated Rates of Groundwater Recharge to the Chicot and Evangeline Aquifers by Using Environmental Tracers in Montgomery County", had received final approval from USGS late last week and that a Findings and Review Committee meeting would be called prior to the March board meeting. No changes have been made to the study since it was last presented to the committee and it will be presented to the full Board at the March meeting.

Budget and Finance Development Committee - Jim Stinson, Chair. Mr. Stinson reported that a committee meeting was held on February 7th, to discuss the 2013 Operating Budget and proposals regarding the District's banking activities.

Review of monthly financial reports. Director Stinson reported that in January the District had income of \$1,100,000 and expenses of \$125,000. There are no comparisons to budget projections at this time as we have not adopted a 2013 budget.

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 reported that the District had received responses from only one of the twelve requests for proposals issued, and that the one respondent was First Bank. He then stated that the Committee recommends accepting First Bank's submittal for a two-year term with a two-year renewal clause. A motion was made by Director Eichelberger and seconded by Director Bleyl and the motion carried with Directors Baker and Wood abstaining.

Discussion and possible action regarding updating banking signature cards. President Tramm stated the District's banking signature cards were up-to-date and that no action would be necessary for this item.

Discuss, consider, and possible action regarding approval of Resolution #13-001 adopting FY 2013 Operating and Capital Outlay Budgets. Director Stinson stated that the Committee had reviewed the proposed budget, which call for an estimated income of \$2,200,000 and estimated expenses of \$2,050,000, and recommended approval. The General Manager noted that there was a change of \$3,000 from the budget contained in the Board packets for funding a program with Averitt and Associates approved by the Board in November. A motion to approve Resolution #13-001 adopting FY 2013 Operating and Capital Outlay Budgets was made by Director Weisinger, seconded by Director Baker, and unanimously carried.

Building and Facilities Committee - Kathy Turner Jones, Coordinator. Ms. Jones stated that the committee had not met since the last Board meeting.

Update and possible action regarding construction of onsite storage facility for mobile lab at District office, relocation of sewer line, and detention pond design. Ms. Jones updated the Board on the status of the construction of the building for our mobile lab. The contractor has

provided a timetable and the building should be delivered on February 18th and assembly will begin that day. The contractor estimates that construction will take between 7 and 8 days. The contractor will be completing concrete work that will tie the building drive and slab into the existing concrete parking area. Once the building is completed, and all electrical installed, the contractor will call for inspection by the City and request a Certificate of Occupancy. The time frame for completion is still March 18th-22nd.

Next Ms. Jones updated the Board on the current progress rerouting the sanitary sewer line. Bids for the sanitary sewer line relocation were solicited and received at the office of our engineer. They were opened on January 23rd. Three bids were received with H2O Services, Inc. submitting the lowest total bid in the amount of \$31,930.00, followed by Randy Roan Construction, Inc. in the amount of \$35,559.00, and Reddico Construction, Inc. with a bid of \$49,334.60. The Building Committee accepted the engineer's recommendation for H2O Services. The contract was signed last week, and construction is scheduled to begin on February 18th, weather permitting.

Ms. Jones stated that she is still working with the attorneys on the easement for the relocation of the sewer line.

As to the improvements to the detention pond, Ms. Jones informed the Board that bidding for the redesign of the detention pond has been postponed until the spring when there will be more accessibility to the pond.

Lastly, Ms. Jones stated that she would be calling a meeting of the Building Committee in the near future to discuss all of the ongoing issues.

ENGINEERING REPORT:

Mark Lowry, District Consultant, stated that his report was included in the board packets and that his focus during the past month was on permitting issues, alternative water supply wells and irrigation issues. He then presented an overview of the evolution of his application of rainfall and evapotranspiration data to the permitting of golf courses and other irrigation needs. Beginning in 2009, he has been using data from monitors in Kingwood and Huntsville and over time has been able to reduce the volumes of permits issued by applying these data to particular instances. Mr. Lowry has been using factors that provide "high growth" of turf grasses, due to the special growing requirements for golf courses, but is now generating a separate spreadsheet for grasses with lesser growth demands. This will enable him to be more specific in his evaluation of irrigation needs for areas where growth of grasses need only be maintained. Mr. Lowry stated that these changes will result in an even greater reduction in the volumes he recommends for permitting purposes.

CONSIDERATION AND POSSIBLE ACTION REGARDING APPLICATION FOR EARLY CONVERSION CREDITS PURSUANT TO THE EARLY CONVERSION INCENTIVE AS DESCRIBED IN ADDENDUM D OF THE LSGCD RULES – PRODUCTION OF ALTERNATE WATER SOURCE (AWS) FROM THE CATAHOULA RESTRICTED AQUIFER PROJECT, MONTGOMERY COUNTY MUD #18

Montgomery County MUD #18 submitted an application for Early Conversion Credits for a project whereby they will use waters produced from the Catahoula to reduce groundwater production from the Gulf Coast Aquifer system in advance of the 2016 groundwater conversion deadline. Within the application, the applicant states the project was completed and online July 12, 2012.

The project has been reviewed by staff and is eligible for an early conversion incentive credit as stipulated in the Rules. It is the General Manager's recommendation to recognize Montgomery County MUD #18's commitment to preserving aquifer levels by implementing an alternative source of water (AWS) and support a two-to-one ration early conversion credit for AWS water metered beginning July 12, 2012. A motion was made by Director Baker, seconded by Director Weisinger and unanimously carried to approve the recommendation by the General Manager. Director Bleyl abstained.

UPDATE REGARDING 2012 ANNUAL REPORT FOR THE LONE STAR GROUNDWATER CONSERVATION DISTRICT—Paul R. Nelson

Mr. Nelson informed the Board that a draft copy of the annual report was included in their packets and asked that any comments that members might have be forwarded to him as soon as possible.

DISCUSS, CONSIDER AND TAKE ACTION AS NECESSARY CONCERNING SELECTION OF OFFICER(S) FOR TWO-YEAR TERMS EACH.

A motion to extend the terms of the current officers in their respective positions was made by Director Stinson and seconded by Director Eichelberger. The motion carried unanimously.

- a) President: Richard J. Tramm
- b) Vice President: Sam W. Baker
- c) Secretary: Scott Weisinger
- d) Treasurer: Jim Stinson

2013 COMMITTEE ASSIGNMENTS – BOARD PRESIDENT. President Tramm informed the Board that he had made committee assignments for the upcoming year. *A copy of the 2013 Committee Assignments is provided hereto as Exhibit "B" to these minutes.*

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 briefed the Board on developments impacting the District. He stated that there were two rulemaking efforts going on at the state level; one being that the Texas Department of Licensing and Regulation is undertaking a re-write of the water well driller rules. Mr. Hill reported that the Department is proposing to do away with its apprenticeship program and restructure how well drillers use non-licensed drillers to help oversee the management of drilling operations. The agency has endorsed a set of proposed rule changes that should be published in the Texas Register within the next few weeks and will be available for public comment.

Mr. Hill then discussed the rule making process being undertaken by the Texas Railroad Commission regarding injection wells, and their Underground Injection Control (UIC) program for injecting oil and gas drilling wastes underground. Those rules have not yet been published in the Texas Register, but are expected to be published within the next 30 days. Mr. Hill stated that he will keep the board updated as stakeholder meetings are held and these rules develop towards full publication.

Mr. Hill then presented an update on the ongoing legislative session, noting that it is very early in the process and much is left to be done. There has been some activity with regards to changes to Chapter 36 and expanding well pumpage reporting, and there will be much discussion of the bills that address funding of the State Water Plan via the Texas Water Development Board.

GENERAL MANAGER'S REPORT:

Ms. Jones informed the Board that the District had submitted an application to the Texas Water Development Board (TWDB) in December to present the new building and all of our conservation efforts, including the rainwater harvesting system and porous concrete, for consideration of the government section of the Texas Rain Catcher Award. Ms. Jones was pleased to announce that the District had won first place and that formal notice from TWDB should be forthcoming.

Ms. Jones then asked Mr. Nelson to speak to the Board about the District's plan to install and operate an evapotranspiration weather station and how the program will network with our entities. Mr. Nelson explained that the District and surrounding areas had been depending on rainfall and other weather data from Huntsville and Kingwood and there was a need to have that data be more localized and specific to Montgomery County. The station will be located on the District's property and there will remote readings from rain gauges placed throughout the county. Mr. Nelson stated that the District would be working with Texas A&M staff to collect and evaluate the data and apply factors specific to our growing needs. Based on that information, the water demand for the coming week would be disseminated to the public and retail water providers for use with their customers.

Mr. Nelson then informed the Board that the Woodlands Joint Powers Agency had recently enacted regulations requiring that all irrigation systems in the Woodlands be permitted and installed by a licensed irrigator. Mr. Stinson then discussed the details of the program and aspects of inspection and enforcement.

PUBLIC COMMENT: None.

NEW BUSINESS: None

There being no further business, upon a motion by Director Baker, seconded by Director Eichelberger, President Tramm adjourned the meeting at 11:02 a.m.

PASSED, APPROVED, AND ADOPTED THIS 12th DAY OF MARCH, 2013.

M. Scott Weisinger, PG, Board Secretary