

LONE STAR GROUNDWATER CONSERVATION DISTRICT

October 14, 2014

MINUTES OF SPECIAL MEETING

The Board of Directors of the Lone Star Groundwater Conservation District (“District”) held a “Special Meeting,” open to the public, in the Lone Star GCD – James B. “Jim” Wesley Board Room located at 655 Conroe Park North Drive, Conroe, Texas, within the boundaries of the District on October 14, 2014.

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 Baker
John D. Bleyl, PE
Jace Houston
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 Directors Baker, McCoy and Weisinger thus constituting a quorum of the Board of Directors. Also, in attendance at said meeting were Kathy Turner Jones, District General Manager; Paul Nelson, Assistant General Manager, Brian L. Sledge, General Counsel; 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 Director Tramm, the Board of Directors went into a Closed Executive Session at 9:04 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 Weisinger arrived at 9:06 a.m., and Director Baker arrived at 9:58 a.m.

Following Executive Session, the Board reconvened in Open Session and President Tramm declared it open to the public at 10:09 a.m.

No action was taken on matters discussed in Executive Session and President Tramm adjourned the meeting at 10:09 a.m.

PASSED, APPROVED, AND ADOPTED THIS 11th DAY OF NOVEMBER, 2014.

M. Scott Weisinger, PG, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

October 14, 2014

MINUTES OF HEARING ON PROPOSED CHANGES TO DISTRICT RULES

The Lone Star Groundwater Conservation District (“District”) held a Public Hearing on Amendments to the District Rules, open to the public, at 655 Conroe Park North Drive, Conroe, Texas, within the boundaries of the District on October 14, 2014.

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

President Tramm called the meeting to order at 10:17 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 Baker
John D. Bleyl, PE
Jace Houston
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 McCoy, 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 Sledge, General Counsel; District staff; and members of the public. *Copies of the public sign-in sheets are attached hereto as Exhibit “A”.*

President Tramm announced the beginning of the presentation and discussion of proposed changes to the District Rules. He then asked the staff of the District to confirm that notice of the hearing was posted. Mr. Brian Sledge, General Counsel for the District, confirmed the notice was published and posted pursuant to statutory requirements, 20 days in advance of the hearing. Copies of the agendas as well as newspaper tear sheets were available for inspection. Copies of the proposed amendments to the rules were made available to the public for inspection for 20 days in advance of the hearing on the District website and at the District office.

Mr. Sledge noted that it was Board President Tramm's intent to continue the hearing at the end of the day, leaving the record open for additional submission of written comments for one week (Tuesday, October 21, 2014), and holding the hearing open until the next regular Board meeting, to be held November 11, 2014, at 10 a.m., in the Lone Star GCD offices.

Mr. Sledge reported that the proposed amendments to District Rules involve well spacing and location requirements. For new wells completed in the Gulf Coast Aquifer (Chicot, Evangeline and Jasper Aquifers), a minimum tract size of 1.5 acres is proposed, which was derived by considering both Montgomery County's platting requirements and technical information prepared by the District's hydrogeologists on water level drawdown and well interference. Additionally, all new wells completed in the Gulf Coast Aquifer are required to be screened at a depth no less than 150 feet (regardless of the capacity of the well) in order to prevent well interference problems caused by wells being drilled too shallow.

For the Catahoula Aquifer, minimum spacing requirements are proposed for new wells from existing Catahoula wells based on the production capacity of the new well. Spacing requirements are reduced if there is a vertical offset of 100 feet or more in the elevation of the well screen of the new well and that of the existing well. The Catahoula minimum well spacing requirements were derived based upon studies and technical information prepared by the District's hydrogeologists balanced with practical considerations of the needs of Catahoula well owners.

A variance application process is provided for both the Gulf Coast Aquifer minimum tract size requirements and the Catahoula Aquifer minimum spacing requirements from existing wells.

The Rules and Bylaws Committee and technical consultants have met extensively times throughout the year to discuss, analyze, review and prepare a draft of these amendments to the District Rules.

Proposed revisions to the District's Regulatory Plan, Phase IIB, are also part of this hearing, which attempt to fill in some gaps with regard to questions that staff has been asked, which both are legally and operationally in nature. These include the ability to transfer permits before 2016, exchange between small volume groundwater and large groundwater users, how participants in GRPs will function after 2016.

Mr. Bill Mullican, Mullican and Associates, gave a presentation regarding the science behind well spacing rules and proposed amendments. He noted that he was highly impressed by the Board and committee members' willingness to roll up their sleeves and dedicate the time it takes to understand what the numbers mean. Well spacing has a dual role: is important in order to attempt to minimize interference between property owners as well as ensure you have access to the groundwater under your property. Mr. Mullican's presentation is available to the public upon request.

PUBLIC COMMENT:

Scott Stevens, representing Woodland Oaks Utility, provided the following public comment – First, he distributed handouts to the Board. Next, he noted that Mr. Stoecker is out of town, and he (Mr. Stevens) is speaking on his behalf. He noted that the handouts were examples

of well sites in their service area, which are located in platted subdivisions. One in Woodland Oaks and one in Forest West. They serve about 1,100 customers. Those well sites are small - .2 acres and .6, and the footprint itself for the well and production equipment takes up even less space than that. One comment is related to minimum tract size requirement of 1 ½ acres. Mr. Stevens noted it was good to hear the District's explanation of the rationale behind the proposed minimum tract size requirement. However, coming from a large volume groundwater user and developer, looking at the growth of the county and its projected continued growth, he believes the majority of applicants for new wells will come from large volume users similar to his company, who serve residential growth. The majority of these applications will come from those located in platted subdivisions. It seems to him that the way the rules are proposed with a minimum tract size requirement with a variance process is like a "tail wagging the dog" scenario. It places all these applications having to go through a variance process when in lieu of that it may be better to have rules that state if you don't meet certain thresholds/requirements, then you must have a minimum tract size. Otherwise you have a lot of subdivisions required to have 1 ½ acre well site. Therefore, the cost of that well site just went up.

Mr. Stevens also had a comment about the Catahoula Aquifer proposed change. In the posted document, it stated that studies had taken place which brought about the proposed change. Mr. Stevens asked if those studies could be made available to the public. President Tramm noted that copies of the studies can be acquired by contacting District staff.

Lastly, Mr. Stevens noted that they will likely provide additional written comments prior to the deadline.

President Tramm thanked Mr. Stevens and also noted that Bob Harden provided written comments prior to the hearing, and those comments have been distributed to the Board. President Tramm asked Mr. Harden if he would like to speak, and Mr. Harden accepted the opportunity.

First, Mr. Harden said it doesn't seem consistent to protect investor-backed expectations for Catahoula wells and to not do the same for a Gulf Coast well. Both require money, engineering and the issues are essentially the same as far as interference draw down. Relative to the proposed 1 ½ acre tract size, he knows that a lot of other districts allow a CCN area, or service area, to be included as a tract size tabulation. Perhaps the board should consider this with regard to the comments presented. With regard to the Catahoula well spacings, he feels that the well spacings for those that are less than 2,000/2,500 gallons/minute, the proposed spacings are too lenient, and not restrictive enough because you can place smaller wells closer together, creating the same kind of effect that you can create from one larger well. He also feels that the proposed large well spacings are too restrictive. For example, if someone puts a large well in on a 1 ½ acre tract, 300 ft. x 300 ft. and 6,000 feet around, no one else can put a well. In essence, that well is confiscating 2,000 acres of other people's property, so this leads one into thinking about how can you place well spacing rules that create property offset boundaries and allow tracts to coexist with each another without affecting neighboring owners.

President Tramm thanked Mr. Harden for his comments, and noted that no others have signed up to provide comments. He then asked if anyone else in attendance would like to provide comment. There being none, he noted that additional written comments had been provided to the General Manager from MUD 8's engineer, primarily asking for clarification. Those comments have been provided to all board members, and are in the District's records as well.

As discussed, there will be no board approval of these proposed changes today. Instead, the public will have until Tuesday, October 21, 2014, at 5 p.m. to provide additional comments.

President Tramm noted that this hearing will continue on Tuesday, November 11, 2014, at 10 a.m. at the Lone Star GCD's Board Room, located at 655 Conroe Park North Drive, Conroe, Texas 77303.

The Public Hearing on Proposed Changes to District Rules was recessed at 11:04 a.m., to be continued as stated above.

PASSED, APPROVED, AND ADOPTED THIS 11th DAY OF NOVEMBER, 2014.

M. Scott Weisinger, PG; Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

October 14, 2014

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 October 14, 2014.

CALL TO ORDER:

President Tramm called to order the Public Hearing on Permit Applications at 11:04 a.m., announcing the meeting open to the public.

ROLL CALL:

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

Sam W. Baker
John D. Bleyl, PE
Jace Houston
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 McCoy, thus constituting a quorum of the Board of Directors. Also, in attendance at said meeting were Kathy Turner Jones, 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”.*

Samantha Reiter, Permitting Director, noted that Item #4, Lakeland Section II, will be pulled from today’s agenda, and no action will be taken at this time.

Item #1, **Newton Amalgamated LLC** - Applicant is requesting an amendment to an Operating Permit for an increase in production authorization in the amount of 75,000 gallons for 2014 and annually thereafter. Based on technical review of the information supplied, it is the General Manager's recommendation to approve that which is being requested.

Item #2, **William Vasser III E-Trust/Anthony P. Vasser E-Trust** - Applicant is requesting an amendment to an Operating Permit for an increase in production authorization in the amount of 700,000 gallons for 2014 and 2,100,000 gallons for 2015 and annually thereafter. Based on technical review of the information supplied, it is the General Manager's recommendation to approve that which is being requested.

Item #3, **Texas Equity Ventures** - Applicant is requesting registration of a new well and production authorization in the amount of 150,000 gallons for 2014 and annually thereafter. Based on technical review of the information supplied, it is the General Manager's recommendation to approve that which is being requested.

Item #5, **Larry Kruzic (Amber Springs)** - Applicant is requesting an amendment to an Operating Permit for an increase in production authorization in the amount of 800,000 gallons for 2014 and annually thereafter. Based on technical review of the information supplied, it is the General Manager's recommendation to approve that which is being requested.

Item #6, **Cal Sierra International, LLC** - Applicant is requesting an amendment to an Alternative Water Source permit for drilling authorization for a new well. No additional production authorization is being requested at this time. Based on technical review of the information supplied, it is the General Manager's recommendation to approve that which is being requested.

Item #7, **Tracy Thomas** - Applicant is requesting registration of a new well and production authorization in the amount of 150,000 gallons for 2014 and 250,000 gallons for 2015 and annually thereafter. Based on technical review of the information supplied, it is the General Manager's recommendation to approve that which is being requested.

Item #8, **Cayce Causey & Cara Causey (CTI Oil Field Service LLC)** - Applicant is requesting an amendment to an Operating Permit for an increase in production authorization in the amount of 160,000 gallons for 2014 and annually thereafter. Based on technical review of the information supplied, it is the General Manager's recommendation to approve that which is being requested.

Item #9, **Crystal Springs Water (Autumn Acres)** - Applicant is requesting an amendment to an Operating Permit for an increase in production authorization in the amount of 2,200,000 gallons for 2014 and annually thereafter. Based on technical review of the information supplied, it is the General Manager's recommendation to approve that which is being requested.

Item #10, **Paul Hammock** - Applicant is requesting registration of a new well and production authorization in the amount of 30,000 gallons for 2014 and 300,000 gallons for 2015 and annually thereafter. Based on technical review of the information supplied, it is the General

Manager's recommendation to approve the registration of the well and authorize a reduced amount of 30,000 gallons for 2014 and annually thereafter.

Item #11, **WHB Boat & RV Storage** - Applicant is requesting registration of a new well and production authorization in the amount of 150,000 gallons for 2014 and 350,000 gallons for 2015 and annually thereafter. Based on technical review of the information supplied, it is the General Manager's recommendation to approve the registration of the well and authorize a reduced amount of 150,000 gallons for 2014 and annually thereafter.

The first motion was made by Director Stinson, and seconded by Director Moffatt to approve items #1-3 and #5-9 in accordance with the General Manager's recommendations. The motion passed unanimously, with Director Weisinger abstaining from item #6.

The second motion was made by Director Stinson, and seconded by Director Bleyl to approve items #10 and #11, to approve registration and/or construction of the wells as well as authorize reduced recommendations, in accordance with the General Manager's recommendations. The motion passed unanimously.

4. Consider granting or denying applications for the following LVGU Permit Amendments:

1. Montgomery County MUD #18, for a proposed transfer of OP-0506201, in the amount of 254.29 mg annually, to Porter Special Utility District (OP03-006C), Public Supply (PWS) use.

A motion was made by Director Baker to approve the transfer as presented, in accordance with the general manager's recommendation. The motion was seconded by Director Wood, with Director Bleyl and President Tramm abstaining from the vote, and the motion passed.

President Tramm adjourned the public hearing on permit applications at 11:07 a.m.

PASSED, APPROVED, AND ADOPTED THIS 11TH DAY OF NOVEMBER, 2014.

M. Scott Weisinger, PG, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

OCTOBER 14, 2014

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 - James B. "Jim" Wesley Board Room located at 655 Conroe Park North Drive, Conroe, Texas, within the boundaries of the District on October 14, 2014.

CALL TO ORDER:

President Tramm called to order the regular Board of Directors meeting at 11:08 a.m. announcing that it was open to the public.

ROLL CALL:

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

Sam Baker
John D. Bleyl, PE
Jace Houston
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 McCoy, thus constituting a quorum of the Board of Directors. Also, in attendance at said meeting were Kathy Turner Jones, General Manager; Paul R. Nelson, Assistant General Manager; Brian L. Sledge, General Counsel; Mark Lowry, P.E., District Engineer; 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 Stinson, seconded by Director Houston, and unanimously carried, to approve the meeting minutes:

- a) September 9, 2014, Special Board Meeting
- b) September 9, 2014, Public Hearing on Permit Applications

- c) September 9, 2014, Regular Board of Directors Meeting
- d) September 23, 2014, Special Board Meeting, GMA 14

COMMITTEE REPORTS:

Water Awareness and Conservation Committee - Billy Wood, Chair

Briefing on Committee Activities - Director Wood reported that the committee had not met since the last board meeting.

Briefing on Public Outreach Efforts - Marlisa Briggs, Education/Public Awareness Coordinator – Mrs. Briggs' presentation highlighted the following public outreach efforts:

- Mobile Education Lab Aquifer Model Update – model currently being installed
- Annual Billing Inserts – complete and in-hand. These will be placed in all District statements to permittees, as well as made available, free of charge, to area water providers for their billing inserts.
- Website Redesign Progress Report – text has been provided to vendor, and currently waiting draft site
- Lone Star General Brochure Update – currently at printer's, and will be available by month's end.
- TCEQ's Texas Environmental Excellence Award – submitted two projects for consideration: LMC Rainwater Harvesting Project and SMCMUD Reuse Project
- Watering Recommendations – good media coverage
- Water Smart Innovations Conference
- Woodlands Landscaping Solutions Event – September 27 – Event went well, provided educational materials to about 200 individuals.
- Chambers of Commerce Board Meetings
- Ongoing e-blasts, press releases and social media communications
- Monthly Dock Lines article

Update on Conservation Efforts – Paul R. Nelson, Assistant General Manager – Mr. Nelson briefed the Board on additional conservation activities, including

- Lake Conroe Watershed Protection Plan Meeting update – Meetings are going well as they work to ensure high water quality.
- City of Conroe's Water Conservation Advisory Committee update – Presentation by Doug Goodwin, leading irrigation specialist. City of Conroe has begun sponsorship of the Wise Guys program to help residents. The Woodlands Joint Powers Agency has taken part in the program for more than five years.
- September Gulf Coast/Montgomery County Water Efficiency Network meeting - Sam Masiel, Utility Billing Manager for the City of Conroe, gave a presentation on the use of the Automatic Meter Read (AMR) system as a

conservation tool. Next meeting will take place October 23 here at Lone Star GCD at 1:30 p.m.

- Texas Vegetation Management Summit - Paul gave a presentation for the group on September 30.
- 2015 Gulf Coast Water Conservation Symposium – This annual event attracted more than 130 attendees in 2014. Mr. Nelson and Mrs. Briggs are on the conference planning committee for the March 2015 event. Details will be provided as they are available.
- Mr. Nelson also noted that September 2014 marked the eleventh consecutive month of the District utilizing only rainwater to irrigate its property.
- He also noted that he is communicating with the subdivision Greystone Hills about their irrigation as it relates to water waste.

Rules Development and Bylaws Committee – Kathy Turner Jones, General Manager

Briefing on Committee Activities – Ms. Jones reported that the committee had not met since the last board meeting. She noted that the committee will meet prior to the November board meeting in order to review the public comments received on the proposed changes to the District Rules and Regulatory Plan.

Policy and Personnel Development Committee – Sam W. Baker

Briefing on Committee Activities – Director Baker reported that the committee met on October 10 in conjunction with the District’s human resources attorney. The meeting focus was on changes in the employment law, specifically as they relate to exempt and non-exempt employees. The committee also reviewed current salaries, and will have another meeting soon to make recommendations for the 2015 budget. Ms. Jones noted that the committee will also be seeking out a salary survey to research similar Districts around the state, to identify salary ranges for employee classifications.

Findings and Review Committee – Paul R. Nelson, Assistant General Manager

Update: Groundwater data acquisition and analysis study of potential groundwater contamination – Mr. Nelson expects a report/update from Mr. Bennett very soon.

Update: Development of a strategic plan - President Tramm asked John Seifert, LBG Guyton, to provide an update on the plan. Mr. Seifert noted that he, Mark Lowry and Bill Mullican developed a scope, which was presented to the committee. The committee has made initial comments, which are currently being incorporated into a revised scope. This revised scope will be presented back to the committee in the near future. To aid in efficiency, President Tramm asked that board members and the general manager provide their comments to Mr. Mullican, who will then compile and incorporate them into the revised scope. The goal is to have a presentable scope at the November board meeting.

Budget and Finance Development Committee - Jim Stinson, Chair

Briefing on Committee Activities - Director Stinson reported that the committee has not met since the last committee meeting.

Review of Monthly Financial Reports - Director Stinson reported that the financial statement indicated an actual income of \$2 million compared to projected \$2.1 million, and expenses are at \$1.4 million, compared to projected expenses of \$1.6 million.

Review Third Quarterly Investment Report – Director Stinson noted that the third quarterly investment report is in the Board packets.

Building and Facilities Committee - Kathy Turner Jones, Coordinator

Briefing on Committee Activities – Ms. Jones reported that the committee had not met since the last board meeting. However, last week, she has met with the current Leadership Montgomery Class, who is considering launching an aquaponics project. She will keep the board updated on this topic.

Update and Possible Action Regarding Construction and Redesign of Existing Detention Pond – Ms. Jones reported that in addition to the above note about the potential leadership project, she acknowledged that board members have been extremely busy with other District committees, and she was trying to avoid too much demands on their time. She hopes that the committee will have the opportunity to meet soon to move this project forward.

ENGINEERING REPORT:

Mark Lowry, District Consultant, reported that most of his activity during the month was routine, and a copy of his report is included in the Board's packet. The only item out of the ordinary was working on the scope of work for the upcoming strategic plan.

GENERAL MANAGER'S REPORT:

Ms. Jones directed the Board to her written report in their board packets, but highlighted the recent meeting of GMA 14, held September 23 at Lone Star GCD. Five groundwater districts representing 12 Texas counties. Additionally, representatives from both subsidence districts and Chambers County were also in attendance. Out of all 20 counties represented in the GMA 14 planning area, 16 were present.

GENERAL COUNSEL'S REPORT:

Mr. Sledge updated the board on the Edwards Aquifer Authority vs. Bragg case, and will keep the board posted on the future activities. One highlight is a bill that may result in a change regarding the State Auditor's involvement in auditing groundwater districts.

PUBLIC COMMENT:

There was no public comment.

NEW BUSINESS:

There being no further business, Director Baker made a motion to adjourn the meeting; Director Weisinger seconded the motion, therefore the meeting was adjourned at 11:41 a.m.

PASSED, APPROVED, AND ADOPTED THIS 11TH DAY OF NOVEMBER, 2014.

M. Scott Weisinger, PG, Board Secretary