

LONE STAR GROUNDWATER CONSERVATION DISTRICT

August 11, 2009

MINUTES OF SPECIAL MEETING

The 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 August 11, 2009.

President Tramm called the meeting to order at 9:00 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
Orval R. Love, PE
Roy McCoy, Jr.
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 Weisinger, thus constituting a quorum of the Board of Directors. Also, in attendance at said meeting were Kathy Turner Jones, District General Manager; Brian Sledge, General Counsel; Jason Hill, 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 9:02 a.m. as authorized by the Open Meetings Act, Section 551.071, Government Code, 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, Vernon's Texas Codes, Annotated.

Director Weisinger arrives at 9:05 a.m.

Director Baker arrives at 9:50 a.m.

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

No action was taken on matters discussed in Executive Session.

PASSED, APPROVED, AND ADOPTED THIS 8th DAY OF SEPTEMBER, 2009.

Sam W. Baker, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

August 11, 2009

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 August 11, 2009.

President Tramm called to order the Public Hearing on Permit Applications at 10:15 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
Orval R. Love, PE
Roy McCoy, Jr.
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 McCoy, thus constituting a quorum of the Board of Directors. Also, in attendance at said meeting were Kathy Turner Jones, District General Manager; Brian Sledge, General Counsel; Jason Hill, 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”.*

Following the permit hearing report from General Manager, Kathy Turner Jones, a motion was made by Director Stinson and seconded by Director Love, to approve permits #2, #4, #5, and #7, in accordance with the recommendations of the General Manager. Director Weisinger abstained from permit #4

1. The Woodlands Community Association, Inc., for a proposed operating permit not to exceed 9.5 mg annually, The Woodlands, Irrigation use, Lake Replenishment;
2. Donald R. Winford, for a proposed operating permit not to exceed 0.35 mg annually, 21627 FM 2854, Montgomery, Commercial use;

3. West Conroe Baptist Church, for a proposed operating permit for an existing well and a new well to be drilled at 1855 Longmire Rd., Conroe, not to exceed 2 mg annually, Irrigation use, Lake Replenishment;
4. T & W Water Services (Grand Harbor/Gemstone), for a proposed amendment to OP, well to be drilled at 11814 Grand Harbor Blvd., Montgomery, increase of 17 mg annually, Public Supply (PWS) use;
5. Faith Family Baptist Church, for a proposed amendment to OP, increase of 0.85 mg annually, 23915 Hwy 59 North, Kingwood, Irrigation use;
6. Rotary Club of Lake Conroe, for a proposed well to be drilled at Memory Park (Adjacent to Charles B. Stewart Library), Montgomery, not to exceed 9.1 mg annually, Irrigation use, Lake Replenishment;
7. Marshall L. Brown, for a proposed well to be drilled at 17431 I 45 N., Willis, not to exceed 0.2 mg annually, Public Supply use; and
8. Grand View POA, for a proposed amendment to OP, increase of 0.8 mg annually, Grandview Section #2, Grandview Blvd., Montgomery, Irrigation use.

Item #1, **The Woodlands Community Association, Inc.**, staff recommends that the General Manager recommend approval for the amount requested. Following the permit report from the General Manager, a motion was made by Director Stinson, seconded by Director Wesley to approve Permit #1 in accordance with the recommendation of the General Manager.

Item #3, **West Conroe Baptist Church**, based on technical review, staff recommends that the General Manager recommend approval to the Board for the amount requested. Following the permit report from the General Manager, a motion was made by Director Stinson, seconded by Director Wesley to approve Permit #3 in accordance with the recommendation of the General Manager.

Item #6, **Rotary Club of Lake Conroe**, the General Manager recommends a “Conditional Permit” to the Board of **1.96 mg** for the remainder of his year (2009), and to compare the usage with the actual pan evaporation rates experienced during the remainder of this year prior to finalizing an amount for the 2010 permit. The City of Montgomery is not contesting the permit at this time. Following the permit report from

the General Manager, a motion was made by Director Stinson, seconded by Director Wesley to approve Permit #6 in accordance with the recommendation of the General Manager.

Item #8, **Grand View POA**, based on technical review, staff recommends that the additional requested amount be reduced to **no more than .4mgy**, bringing the total amount permitted to **1.840 mgy**, and the General Manager recommends approval to the Board of this reduced amount. Following the permit report from the General Manager, a motion was made by Director Stinson, seconded by Director Wesley to approve Permit #8 in accordance with the recommendation of the General Manager.

President Tramm adjourned the Public Hearing on Permit Applications at 10:21 a.m.

PASSED, APPROVED, AND ADOPTED THIS 8th DAY OF SEPTEMBER, 2009.

Sam W. Baker, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

August 11, 2009

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 300, Conroe, Texas, within the boundaries of the District on August 11, 2009.

President Tramm called to order the regular Board of Directors meeting at 10:21 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
Orval R. Love, PE
Roy McCoy, Jr.
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 McCoy, thus constituting a quorum of the Board of Directors. Also, in attendance at said meeting were Kathy Turner Jones, District General Manager; Brian Sledge, General Counsel; Jason Hill, 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 four (4) meeting Minutes listed as one item. Upon review of the following, a motion was made by Director Weisinger, seconded by Director Stinson and unanimously carried, to approve the meeting minutes as presented:

- a) July 14, 2009, Special Board Meeting
- b) July 14, 2009, Public Hearing on Permit Applications
- c) July 14, 2009, Special Board Meeting – Show Cause Hearing
- d) July 14, 2009, Regular Board of Directors Meeting

President Tramm stated that the Board would proceed to Item #4(C)

Update and presentation-Texas Youth Water Camp attendees. In pursuit of providing education programs for Montgomery County students, the District sponsored two College Park High School and one Montgomery High School student to the Texas Youth Water Camp in Monahans, Texas last month. Ethan Schenk, Katie Jensen, and Marion Hammett gave an informative presentation regarding what they had learned while at camp. The Board commended the student's presentation.

President Tramm then stated that the Board would continue the meeting with the Committee Reports.

COMMITTEE REPORTS:

Rules and Bylaws Committee – Kathy Turner Jones, Coordinator. Ms. Jones reported that the Rules and Bylaws Committee met on August 10, 2009, to discuss draft language related to the permitting of groundwater production associated with filling or maintaining water levels in amenity ponds or other surface impoundments.

Hold Public Hearing on Proposed Changes to District Rules. 10:35 a.m. - President Tramm stated that at this time the Board would adjourn and go to the Public Hearing on Proposed Changes to District Rules. President Tramm stated that the Regular Board Meeting would continue following the conclusion of the Public Hearing on Proposed Changes to District Rules.

11:15 a.m. – President Tramm reconvened the Regular Board Meeting

Discussion, consideration, and possible action approving Resolution #09-008, Amending Adopted Rules for the Lone Star GCD. Upon a motion by Director Wood, seconded by Director Baker and unanimously approved, the Board approved Resolution #09-008, with the correction to Section 4, Rule 13.2(g) to read as follows “the calibration of each meter required under Subsection (b) shall be tested no less than once every three years”. *Copy of Resolution #09-008 is attached hereto as Exhibit “B”.*

Discussion, consideration, and possible action adopting “Order of the Board” approving a temporary moratorium in the issuance of any further groundwater into a surface impoundment. Upon a motion by Director Wood, seconded by Director Wesley and unanimously approved, the Board approved Order #09-009, “An Order of the Board of Directors of The Lone Star Groundwater Conservation District Instituting A Temporary Moratorium on the Issuance of Certain Permits”. *Copy of Order #09-009 is attached hereto as Exhibit “C”.*

Policy and Personnel Development Committee – Sam W. Baker, Chair. Director Baker stated that the committee had not met since the last Board meeting.

Water Awareness and Conservation Committee – Billy Wood, Chair. Director Wood stated that the committee had not met since the last Board meeting. Director Wood asked Marjie Risk, Education/Public Awareness Coordinator, to give a report on her activities this past month.

Ms. Risk stated she had been busy this past month. Ms. Risk began by discussing the status of the Water IQ Campaign. On August 22, 2009, the District will participate in the last Water IQ outreach event for 2009 at The Woodlands Hills Mall. On July 30, 2009, LSGCD hosted a Regional Partnership Conservation kick-off meeting, along with EnviroMedia, regarding the Water IQ program. Ms. Risk further stated she was invited to speak at the Panorama City Council meeting on July 28, 2009. A meeting with the City of Conroe staff to discuss a water conservation bill insert and future water education opportunities that the City could pursue has resulted in an invitation to attend and present information for a water conservation workshop at the August 12, 2009, City Council Meeting. Ms. Risk is working on a water conservation insert that will be sent out with permit renewals in September. There is a plan to work with restaurants and provide “table tents” for water upon request. Ms. Risk is also working on the annual report.

Budget and Finance Development Committee – Jim Stinson, Chair. Director Stinson reported the committee had met via conference call, on August 6, 2009.

Review of Monthly Financial Reports. Director Stinson stated he has reviewed the monthly financial report. Director Stinson also stated he had attended the required training and is up-to-date on his certifications.

Discuss, consider, and take action as necessary to approve Resolution #09-007 reviewing and approving Investment Policy and Investment Strategies as required annually by the Public Funds Investment Act of Texas. Upon a motion by Director Wood, seconded by Director Baker, and unanimously carried, the Board adopted Resolution #09-007 “Resolution Reviewing and Approving Investment Policy and Investment Strategies”. *Copy of Resolution #09-007 is attached hereto as Exhibit “D”.*

Findings and Review Committee – Orval R. Love, Chair. Director Love reported the committee had met on July 20, 2009, for an informal meeting with Mike Turco, USGS, on what to expect from the USGS hydrological study currently being conducted within the LSGCD area. The study should be completed and the report received in September. The committee will meet prior to making any recommendations to the Board.

Building and Facilities Committee – Sam Baker/Kathy Turner Jones. Director Baker and Director Wood met with Montgomery County Judge, Alan Sadler, regarding the District’s office lease renewal and extension. The District is exercising both six (6) month extensions under the terms of the Lease Agreement and the new lease will extend through December 31, 2010.

ENGINEERING REPORT:

Mark Lowry, District Consultant, reported that a copy of his report was included in each Director’s Board Packet. One of the major items worked on was attending the Findings and Review Committee meetings to discuss the issues pertaining to the USGS study that is currently underway, and to research questions posed by committee members concerning the previous modeling that has been done and what impact the new recharge study will have on the previous results. Mr. Lowry also attended the Rules and Bylaws Committee meetings to assist in drafting new rules relating to amenity ponds, as well as Phase II rules for the WRAP. Mr. Lowry provided language to Board staff and General Counsel concerning current drought stage for the

area relative to common indices. Finally, Mr. Lowry developed analysis of permit requests for four (4) amenity ponds and provided draft recommendations for consideration by the General Manager for her presentation to the Board.

GENERAL COUNSEL’S REPORT:

Brian Sledge, General Counsel, requested that Jason Hill, Attorney, give an update on TEXCOM. Mr. Hill stated that a date of September 8, 2009, has been set to perform tests on the pressure falloff, which will help determine how far any injected wastewater will spread beneath the ground. The testing is expected to last for eight (8) days and the report will be sent to TCEQ. Mr. Hill does not expect a new hearing date before the early part of next year.

Brian Sledge, General Counsel, recommends that the District proceed with Phase II (B) of the Regulatory Plan. Mr. Sledge further recommended that the Board publish a draft for next month’s Board meeting and proceed with the 2015 reduction deadline. Counsel stated he will be meeting with the Rules and Bylaws Committee to proceed with Phase II (B) of the Regulatory Plan.

GENERAL MANAGER’S REPORT:

Kathy Turner Jones stated that her report is included in the Board packet, but would like to note that the District is permitting 86,000 acre feet of groundwater at the current time. Ms. Jones pointed out that upcoming events included the CLE Texas Water Law Conference, September 14-15 in Austin and TWCA Fall Meeting and Conference, October 21-23, San Antonio, in which LSGCD is on the program.

PUBLIC COMMENT:

Don Carter, Rotary Club of Montgomery, Texas, wanted to thank the Board for the District’s contribution to Memory Park.

NEW BUSINESS:

None

There being no further business, upon a motion by Director Wood, seconded by Director Weisinger, the meeting was adjourned at 11:45 a.m. The next regular meeting of the Board of Directors is scheduled for September 8, 2009, at 10:00 a.m.

PASSED, APPROVED, AND ADOPTED THIS 8th DAY OF SEPTEMBER, 2009.

Sam W. Baker, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

August 11, 2009

MINUTES OF PUBLIC HEARING ON PROPOSED CHANGES TO DISTRICT RULES

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 August 11, 2009.

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 to order the Public Hearing on proposed changes to District Rules at 10:35 a.m.

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

Sam W. Baker
Reed Eichelberger, PE
Orval R. Love, PE
Roy McCoy, Jr.
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 McCoy, thus constituting a quorum of the Board of Directors. Also, in attendance at said meeting were Kathy Turner Jones, District General Manager; Brian Sledge, General Counsel; Jason Hill, 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”.*

Kathy Turner Jones, General Manager, stated that in compliance with District requirements, notice was provided to the public on July 15, 2009, with a copy of the proposed rules posted on July 27, 2009. Copies are available at the back of the room for the public.

Jason Hill, Attorney, stated he would like to point out that the District is talking about two (2) separate rules. The first is Resolution #09-008 and the second is Order #09-009 and therefore, two separate actions.

Proposed District Order #09-009 has been the item that has generated the most interest. The Rules and Bylaws Committee met on multiple occasions to discuss the issue of dealing with the production of groundwater and holding that groundwater in surface impoundments for various types of uses. The Rules and Bylaws Committee, from the direction of the Board, has been asked to address the concerns of various Board members and their constituents, regarding the use of impounded water and providing appropriate limits. The moratorium would be temporary in nature and would allow the Board the opportunity to more thoroughly explore the issue and develop a comprehensive approach to managing the uses of groundwater and surface impoundments in a way that is accommodating to economical development and also, recognize that conservation is an issue with the Board. The moratorium would work like this—**it would prohibit the issuance of any new permits or permit amendments for groundwater wells and new groundwater wells that would authorize the discharge of produced groundwater into a surface impoundment.** This is a very broad moratorium. There are two exceptions and these are spelled out in the Proposed Order. The language in the moratorium makes clear that this effect is motivated, in essence, to the extraordinary drought conditions Montgomery County, as well as the state, is currently experiencing, and would give the Board an opportunity to fully explore this particular use of water until alternative or different regulatory approaches can be developed. Director Weisinger asked Mr. Hill to explain to the public that this moratorium does not apply to existing wells. Mr. Hill assured the public that the moratorium does not apply to domestic (exempt) use or livestock and would only apply to new projects. Mr. Hill reiterated that this would allow the Rules and Bylaws Committee to tighten up and come back to the Board with rule recommendations. Director Stinson encourages the Committee to continue working with the development community and to report back with some rules the Board could consider.

Jason Hill proceeded to Resolution #09-008, stating that it is a proposed set of amendments to the current District Rules that would have some implication on existing uses of groundwater in surface impoundments. Mr. Hill explained that currently, any groundwater production permit that authorizes the discharge of groundwater into surface impoundments, that water is required to be metered. **The proposed amendments would require, also, that for subsequent beneficial use of water, where water is drawn out of impoundments, the water would be required to be metered.** The Rules and Bylaws Committee determined, by having this additional information, it would allow the District to more fully understand the amount of water that is being subsequently beneficially used and to make better determination on whether waste is taking place.

Following Mr. Hill's summary presentation, Brian Sledge, General Counsel, stated he would like to recognize Mark Lowry, District Consultant, for his investigation on getting a handle on the amount of water, in terms of percentage of overall water production in Montgomery County, that is tied up in surface impoundments. Mr. Lowry gave a brief description of the magnitude of this issue.

Mr. Lowry stated that, at the request of the General Manager, he did a brief review of the magnitude or the amount of groundwater associated with surface impoundments. During the review process, aerial photographs were used to identify surface impoundments that were associated with developments. The total area of those surface impoundments total approximately 1,710 acres. This is probably a low figure because if there were any in question, they were left out. The screening tool developed by Mr. Lowry was then used to determine what quantity of water would be needed for pond level maintenance. The tool used currently assumes average evaporation minus the 10th percentile, or a low amount of rainfall. When that number is

calculated over 1,710 acres, it is almost 6,000 acre feet annually. Right now we are in a very heavy evaporation period. When this amount of surface area is calculated, the amount of evaporation expected off of it and replaced by groundwater would be almost 10,000 acre feet annually, which is about one-sixth of annual yield.

PUBLIC COMMENT:

Jackie Chance, General Manager, Montgomery County WCD#1. Mr. Chance submitted a letter in support of the proposed Resolution and would like his letter entered into the record. *Copy of letter attached hereto as Exhibit "B".*

Glen Buckley, Montgomery Trace Development. Mr. Buckley states he supports the District regarding the proposed Resolution.

Mike Stoecker, Stoecker Corporation. Mr. Stoecker states he appreciates what the Board is trying to accomplish, but does not feel the District is weighing all of the economic ramifications the proposed moratorium could cause.

Kathy Turner Jones, General Manager, stated the Committee separated out the rules that involved impoundment issues to refocus on those and that the moratorium will allow the committee time to get back together with the development community to begin drafting the final rules. With the drought issues, the Board felt like the District needed a moratorium. Director Stinson stated the Board should look at this issue from a scientific prospective, as well as information from the District's engineers and develop some parameters where a pond could be constructed.

Mitch Page, Schwartz, Harding & Page, L.L.P. Mr. Page posed a question to the District asking that, during the moratorium period, is the District planning on studying the viability of shallow wells for make-up water. Mr. Page also had a few questions regarding the new rules on impoundments, and specifically, the 10% loss requirement. (1) If there was an existing impoundment that lets through more than 10%, would the person/company need to go back and remediate that to obtain the 10% and (2) Regarding Order #09-009, at the end of paragraphs in B1.b and B2.b, would the Board consider some language changes that would allow the Board to grant an exemption, if the Board feels that groundwater conservation would be better served by granting the exemption.

Director Stinson wanted to again clarify; the moratorium is for new wells to be used for a pond, not for irrigation.

Director Wesley stated he would like to respond to Mr. Page's comments and say that is an excellent example in some of the feedback and interaction that the Board, and specifically, the Rules and Bylaws Committee, would like to have with the development community. The District needs to develop criteria that make sense for everybody and, that takes times. The more ideas and feedback, the less time it will take.

Kevin Tokarski, Pate Engineering, Inc. Mr. Tokarski stated his main concern was the wording of the moratorium and feels that the District should insert the word "temporary" in the moratorium.

Director Stinson stated it was his understanding that the moratorium would be temporary, and the Rules and Bylaws Committee needs to meet with the engineers and the development community to report back to the Board with some rules for the Board to consider regarding developing some perimeters around the subject.

Fred Manhart, Entergy Texas. Mr. Manhart stated he and his company have reviewed the proposed rules and would like to seek a point of clarification. Entergy operates a Plant that has a cooling pond for water that is used to cool and condense steam. A small amount of the water in the cooling pond comes from groundwater and Entergy would appreciate the Board's concurrence that non-consumptive pumping of cooling water, in this fashion, is recirculation and not withdrawal for use. Brian Sledge, General Counsel, suggested the District send Mark Lowry, District Consultant, to the Entergy Willis Plant to access the situation and report back to the Board.

The Public Hearing on Proposed Changes to District Rules was adjourned at 11:15 a.m.

PASSED, APPROVED, AND ADOPTED THIS 8TH DAY OF SEPTEMBER, 2009.

Sam W. Baker, Board Secretary