

LONE STAR GROUNDWATER CONSERVATION DISTRICT

December 8, 2009

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 December 8, 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, and Director Wesley, thus constituting a quorum of the Board of Directors. Also, in attendance at said meeting were Kathy Turner Jones, District General Manager; Brian 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 President Tramm, the Board of Directors went into a Closed Executive Session at 9:03 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 Baker arrives at 9:25 a.m.

Following Executive Session, the Board reconvened in Open Session and declared it open to the public at 10:05 a.m.

No action was taken on matters discussed in Executive Session and the meeting was adjourned at 10:05 a.m.

President Tramm declared a 10 minute recess before beginning the Hearing on Operating Permits.

PASSED, APPROVED, AND ADOPTED THIS 12th DAY OF JANUARY, 2010.

Sam W. Baker, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

December 8, 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 November 10, 2009.

President Tramm called to order the Public Hearing on Permit Applications at 10:12 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 Wesley, 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”.*

Kathy Turner Jones, General Manager, stated the Board should disregard permit applications #3 and #31, as they required further Technical and Administrative Review and would be placed on the January agenda.

3. David Carter, for a proposed operating permit not to exceed 0.2 mg annually, 11780 Calfee Rd, Conroe, Public Supply use;

31. Crystal Springs Water (Timberland Estates), for a proposed amendment to OP, increase of 2.231691 mg annually, 310 Lake Meadows Dr, Montgomery, Public Supply (PWS) use.

Item #1, **Palm Beach Estates POA** – Applicant has requested 1,000,000 gallons for 2009 and annually hereafter. This is an existing well, operating since 1998, for irrigation of subdivision entrance. Based on Technical Review of information supplied by application, it is the General Manager’s recommendation to authorize for 2009 the total usage registered by meter as of December 31, 2009, and authorizes a reduced amount of 250,000 gallons annually thereafter. A motion was made by Director Stinson, seconded by Director Weisinger to approve the recommendations of the General Manager. Motion passed.

Ms. Jones reported that the below 18 applications were all amendments to existing permits. Based on technical review, it is the General Manager’s recommendation to approve authorization, but that 2009 authorization be limited to the total usage registered by meter as of December 31, 2009. The General Manager further recommends that the increase requested for each of these permit amendments for 2010 be approved as submitted. 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 permit amendments #2, #4, #10 #11, #12, #13, #14, #15, #17, #23, #24, #25, #26, #27, #28, #29, #30, and #32 in accordance with the recommendations of the General Manager.

2. City of Shenandoah, for a proposed amendment to OP, increase of 40 mg annually, David Memorial Dr, Shenandoah, Public Supply (PWS) use;
4. MSEC Enterprises (Montgomery Trace WS/Crown Oaks), for a proposed amendment to OP, increase of 30 mg annually, 11190 Collier Cemetery Rd, Montgomery, Public Supply (PWS) use;
10. T & W Water Services (Hidden Springs Ranch), for a proposed amendment to OP, increase of 3 mg annually, Emerald Lakes, Willis, Public Supply (PWS) use;
11. T & W Water Services (Office), for a proposed amendment to OP, increase of 0.02 mg annually, 12284 FM 3083, Conroe, Commercial use;
12. T & W Water Services (Millers Crossing), for a proposed amendment to OP, increase of 2 mg annually, 9030 Miller Rd, Conroe, Public Supply (PWS) use;
13. T & W Water Services (Riverwalk), for a proposed amendment to OP, increase of 10 mg annually, 22913 Amur, Porter, Public Supply (PWS) use;
14. T & W Water Services (Sun Rise Ranch), for a proposed amendment to OP, increase of 2 mg annually, Reserve A. Sun Rise Ranch, Montgomery, Public Supply (PWS) use;
15. T & W Water Services (Thousand Oaks), for a proposed amendment to OP, increase of 8 mg annually, 33301 Acorn Ct, Magnolia, Public Supply (PWS) use;

17. South County Football League, for a proposed amendment to OP, increase of 1.5 mg annually, 1122 Pruitt Rd, Spring, Irrigation use;
23. Crystal Springs Water (Oak Tree), for a proposed amendment to OP, increase of 4.98 mg annually, Oak Tree, Conroe, Public Supply (PWS) use;
24. Crystal Springs Water (Lake Louise), for a proposed amendment to OP, increase of 1.7083 mg annually, Louise Dr., Willis, Public Supply (PWS) use;
25. Crystal Springs Water (Lake Creek Falls), for a proposed amendment to OP, increase of 0.76496 mg annually, Lake Creek Falls Lot 22A, Conroe, Public Supply (PWS) use;
26. Crystal Springs Water (Chasewood), for a proposed amendment to OP, increase of 0.995337 mg annually, FM 2854 @ Chasewood, Conroe, Public Supply (PWS) use;
27. Crystal Springs Water (Autumn Acres), for a proposed amendment to OP, increase of 0.5 mg annually, Hughey Avenue, Reserve A, New Caney, Public Supply (PWS) use;
28. Crystal Springs Water (Afton Park Civic Imp. Assoc.), for a proposed amendment to OP, increase of 0.43799 mg annually, Northline St, Willis, Public Supply (PWS) use;
29. Crystal Springs Water (Live Oak Estates), for a proposed amendment to OP, increase of 0.948614 mg annually, FM 1314, Porter, Public Supply (PWS) use;
30. Crystal Springs Water (Tower Glenn Estates), for a proposed amendment to OP, increase of 3.43866 mg annually, 15319 B Tommy Smith Rd, Conroe, Public Supply (PWS) use; and
32. Brian Pizzino, for a proposed amendment to OP, increase of 0.3175 mg annually, 310 Lake Meadows Dr, Montgomery, Commercial use.

Ms. Jones stated that all applications listed below are for New Operating Permits requesting allocation only and are associated with an existing Historic Use Permit. Based on technical review, it is the General Manager's recommendation to approve authorization, but that 2009 amounts be limited to the total usage registered by meter as of December 31, 2009. The General Manager further recommended that the allocation requested for each of these permits for 2010 be approved as submitted. A motion was made by Director Stinson, seconded by Director Love to approve the permit applications in accordance with the recommendation of the General Manager. Motion passed.

5. HMW Special Utility District (Armadillo Woods), for a proposed operating permit not to exceed 4 mg annually, 32006 Buck Ct, Magnolia, Public Supply (PWS) use;
18. Crystal Springs Water (The Oaks), for a proposed operating permit not to exceed 0.6688 mg annually, Heritage St., Conroe Public Supply (PWS) use;
19. Crystal Springs Water (Oak Creek II), for a proposed operating permit not to exceed 1.0528 mg annually, 16110B Oak Creek Ln., Splendora, Public Supply (PWS) use;
20. Crystal Springs Water (1485 Limited), for a proposed operating permit not to exceed 0.164127 mg annually, 18649B FM 1485, Conroe, Public Supply (PWS) use;

21. Crystal Springs Water (Woodridge Estates), for a proposed operating permit not to exceed 0.18864 mg annually, 19095 Woodridge, Porter, Public Supply (PWS) use; and
22. Crystal Springs Water (Tower Woods), for a proposed operating permit not to exceed 0.35631 mg annually, 15415B Tower Woods Dr., Conroe, Public Supply (PWS) use;

Item #6, **Hixson Lumber Sales of Texas** – Applicant has requested 9,999,000 gallons for 2009 and annually thereafter. These are two existing wells, operating since 1994 for treating lumber and public supply for employees. Based on technical review and onsite inspection of the facility, it is the General Manager’s recommendation to approve a reduced amount of 7,600,000 gallons for 2009, and the amount requested of 9,999,000 gallons annually thereafter. A motion was made by Director Stinson, seconded by Director Weisinger to approve the permit application in accordance with the recommendation of the General Manager. Motion passed.

Item #7, **East Montgomery County MUD 3** – Applicant has requested an increase in allocation of 7,600,000 gallons annually. Based on technical review, it is the General Manager’s recommendation to approve increasing authorization, but that 2009 be limited to the total usage registered by meter as of December 31, 2009. It is further recommended to approve a reduced amount of 2,000,000 gallons for 2010, and annually thereafter, bringing the total amount to 32,000,000 annually beginning 2010. Following the permit report from the General Manager, a motion was made by Director Stinson, seconded by Director Weisinger to approve the permit application in accordance with the recommendation of the General Manager. Motion Passed.

Item #8, **Lloyd & Engbee Wells (River Valley RV Park)** – Applicant has requested 1,000,000 gallons for 2009, and annually thereafter. This is an existing well, drilled in 2009, and was initially applied for as a single family home but was later determined the change in use for RV Park. Based on technical review of information supplied by application, it is the General Manager’s recommendation to authorize for 2009, the total usage registered by meter as of December 31, 2009, and authorize the amount requested for 2010, and annually thereafter. Following the permit report from the General Manager, a motion was made by Director Stinson, seconded by Director Weisinger to approve the permit application in accordance with the recommendation of the General Manager. Motion passed.

Item #9, **M. Ifikhar Mehboob** – Applicant has requested 60,000 gallons for 2009 and annually thereafter. This is an existing well, drilled in 1983, for a convenience store. Based on technical review of information supplied by application, it is the General Manager’s recommendation to authorize for 2009; the total usage registered by meter as of December 31, 2009, and authorize the amount requested for 2010, and annually thereafter. Following the permit report from the General Manager, a motion was made by Director Stinson, seconded by Director Weisinger to approve the permit application in accordance with the recommendation of the General Manager. Motion Passed.

Item #16, **Thao Tammy Nguyen** – Applicant has requested an increase in allocation of 800,000 gallons annually. Applicant is requesting an increase in allocation due to a valve being left open for an undetermined period of time. Based on technical review of information supplied by applicant, it is the General Manager’s recommendation to not approve an increase in allocation at this time. A motion was made by Director Wood, seconded by Director Weisinger to deny the permit application in accordance with the recommendations of the General Manager. Motion passed.

Item #33, **Weisinger Water Well** – Applicant s requesting an Operating Permit for a new well with 0 gallons for 2009, and 900,000 gallons annually thereafter. Applicant will provide water for equipment washing and for water well drilling rigs. Based on Technical review, it is the General Manager’s recommendation to approve the application as submitted. A motion was made by Director Baker, seconded by Director Wood to approve the permit application in accordance with the recommendations of the General Manager. Motion passed.

Continuation of a Permit Hearing originally held on November 10, 2009, to Consider Granting, Denying, or Amending Application for the following Operating Permit:

1. George Turek, for a proposed operating permit not to exceed 0.5 mg annually, 199 N Tranquil Path, The Woodlands, Irrigation Use.

Applicant has requested 500,000 gallons for 2009 and annually thereafter. This is an existing well, supplying water for lawn irrigation for a single family residence. Due to increased well casing greater than 5”, well is required to be permitted under District Rules. Based on

technical review, it is the General Manager's recommendation to authorize, for 2009, the total usage registered by meter as of December 31, 2009, and authorize the amount requested for 2010 and annually thereafter. Director Stinson stated he would like to defer action for another 30 days. The homeowner does not own the water rights to the water being proposed to be pumped. Director Stinson is hoping that something amicable can be worked out between the applicant and the owner of the water, The Woodlands Development Company, in the next 30 days. A motion was made by Director Love, seconded by Director Weisinger, and unanimously passed, to defer action for an additional 30 days.

President Tramm adjourned the Public Hearing on Permit Applications at 10:30 a.m.

PASSED, APPROVED, AND ADOPTED THIS 12th DAY OF JANUARY, 2010.

Sam W. Baker, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

December 8, 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 December 8, 2009.

President Tramm called to order the regular Board of Directors meeting at 10:31 a.m. announcing that it was open to the public.

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

Sam W. Baker
Reed Eichelberger, PE
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 Wesley, 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”.*

APPROVAL OF THE MINUTES:

President Tramm stated the Board would consider all five (5) 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) November 10, 2009, Board Work Session
- b) November 10, 2009, Special Board Meeting
- c) November 10, 2009, Public Hearing on Permit Applications
- d) November 10, 2009, Regular Board of Directors Meeting
- e) November 10, 2009, Public Hearing on Proposed Changes to District Rules

DISCUSS, CONSIDER, AND TAKE ACTION AS NECESSARY CONCERNING APPROVAL OF JOINT-FUNDING AGREEMENT WITH USGS FOR THE PERIOD OF 01.01.10 THROUGH 12.31.10:

Mike Turco, Chief of the USGS Water Science Center, gave a brief description of the agreement, explaining that the joint-funding agreement is ongoing and includes the water level study as well as the recharge study. The study is progressing well and Mr. Turco stated that a meeting with the General Manager is being planned for January 2010. USGS requires approval annually for these agreements.

Upon a motion by Director Weisinger seconded by Director Love and unanimously carried, the Board approved the joint-funding agreement with the USGS for the period of 01.01.10 through 12.31.10, for the Lone Star GCD.

Status Update on Joint-Funding Agreement With USGS for “Estimation of Recharge in the Chicot, Evangeline, and Jasper Aquifers using Environmental Tracers, Montgomery County, Texas”. Kathy Turner Jones, General Manager, stated she had met with Mr. Turco last week regarding subsidence monitoring and increasing our well monitoring network. Today the Board is looking at the Funding Agreement the District currently has with USGS. Ms. Jones stated Mr. Turco mentioned the Board could decide next year if the District would like to look at doing any subsidence monitoring. Director Stinson indicated he would be interested to see what the cost might be and would also like to know if the subsidence is a direct consequence of the overpumping, or extensive pumping of the aquifer. Director Tramm stated overpumping changes subsidence and water quality and affects recharge.

COMMITTEE REPORTS:

Rules and Bylaws Committee – Kathy Turner Jones, Coordinator. Ms. Jones reported that the Rules and Bylaws Committee had not met, but a committee meeting is scheduled for December 16, 2009, with the Focus Group to begin working on rule revisions that will address surface impoundment of groundwater. Ms. Jones stated she would have more to report at the January Meeting.

Policy and Personnel Development Committee – Sam W. Baker, Chair. Director Baker stated that the committee met November 11, 2009, to consider salary increases for 2010. Director Baker stated the committee would like the Board to consider a \$59,312 (5.27%) total salary increase, amounting to on average, a 3% per employee increase. Director Baker stated that Cori Stallings, Permitting Director and Kathy Turner Jones, General Manager, current salaries do not reflect salaries of similar positions and it would be the Committee’s recommendation to increase their salaries accordingly to bring them in line with their peers. Director Baker added that if anyone would like more detail, Ms. Jones will have that information available. Without further discussion, a motion was made by Director Stinson, seconded by Director Love and unanimously carried, to approve the committee’s recommendations for employee salaries.

Water Awareness and Conservation Committee – Billy Wood, Chair. Director Wood stated that the committee met November 24, 2009, regarding “Low Hanging Fruit” as it pertains to water conservation. Director Wood then asked Marjie Risk, Education/Public Awareness Coordinator, to give a report on her activities this past month.

Ms. Risk stated the completed table tents had been delivered and that the program had been discussed with the Greater Montgomery County Restaurant Association (GMRCA). The District hopes to give a presentation to the GMRCA membership at their January Meeting. Ms. Risk indicated that in lieu of conducting a follow-up water conservation partnership meeting, the Water Conservation Committee, at Ms. Risk's suggestion, approved a series of one-on-one meetings between the District and Montgomery County City Managers, Water Conservation Managers and Public Works Directors. This was thought to be a more effective approach in offering planning assistance and resources from the District to water providers within Montgomery County. Ms. Risk has met with the City of Willis and is in the process of scheduling meetings with Magnolia and Montgomery. Ms. Risk has received the 2009 Water IQ Summary Report from EnviroMedia and is currently reviewing the information and will report those findings to the Board at the January 2010 Board Meeting.

Budget and Finance Development Committee – Jim Stinson, Chair. Director Stinson reported his committee had not met since the last Board meeting.

Review of Monthly Financial Reports. Director Stinson stated a review of the monthly financial reports showed that the District was \$234,000 over budget in income and \$698,000 under in expenses through the month of November.

Discuss, consider, and possible action to approve adoption of the 2010 Operating Budget following January 2010. Director Stinson stated the Budget and Finance Committee plans to meet and finalize development of the 2010 Budget, to be adopted after the January 2010 Board Meeting. Director Stinson added that the General Manager and the District's auditor have acknowledged that it is allowable to postpone adoption of the 2010 FY Budget, given that proper notice is posted and action is taken at a Board Meeting open to the public. Following discussion, a motion was made by Director Baker, seconded by Director Weisinger and unanimously carried, to postpone adoption of the 2010 Operating Budget until after the January 2010 Meeting.

Findings and Review Committee – Orval R. Love, Chair. Director Love reported the committee met November 18, 2009, and then asked Kathy Turner Jones, General Manager, to give a report. Ms. Jones stated the committee met to determine how to proceed with the RFP/RFQ on enhancing the District's web base database system and the GIS capabilities. It was decided to select ten (10) firms to send letters announcing the pre-qualification process. The letters were mailed November 30, 2009. Mark Lowry, District Consult, has drafted a selection matrix to aide the General Manager in the selection process. Of the ten (10) firms originally selected, the top scoring three (3) will be selected. Ms. Jones stated the pre-qualifications are due back to the District on December 14, 2009 by 3:00 p.m.

Building and Facilities Committee – Kathy Turner Jones. Ms. Jones stated the committee met on November 19, 2009, to discuss the direction on looking for alternative space for the District. Ms. Jones stated she had met with a developer and a real estate agent and is gathering information to bring back to the committee. With the holidays, it will probably be January before the committee meets. There is still more information to gather as well as numerous options to pursue.

ENGINEERING REPORT:

Mark Lowry, District Consultant, stated he has primarily been involved with reviewing permit applications and working with staff on these issues. Mr. Lowry stated he is taking a much closer look at permit requests and making recommendations to staff.

AECOM reported that they have modified the GAM pumping data for GMA 14 to reflect the District's revising its Regulatory Plan to require conversion to an alternative source in 2016 rather than 2015.

DISCUSSION AND POSSIBLE ACTION TO ISSUE A SHOW CAUSE ORDER DIRECTING AMERICAN TREE FARM (BILL CRAWFORD), OR ITS DESIGNATED REPRESENTATIVE, TO APPEAR AT A SHOW CAUSE HEARING FOR THAT PURPOSE AND SHOW CAUSE WHY PERMIT NO. HUAG1500009A SHOULD NOT BE SUSPENDED AND ALL OTHER APPROPRIATE ENFORCEMENT ACTION BE TAKEN FOR VIOLATION OF DISTRICT RULES.

Kathy Turner Jones, General Manager, gave a background of permit to the Board and the public. American Tree Farm has an existing HUP permit with the District, meaning, that back during our historical use permitting process, American Tree Farm came in with their information and the District authorized them a specific amount of groundwater. The pumpage information the District received for the 2008 readings indicated American Tree Farm had overpumped their permit. The District issued them a "Notice of Violation" and a Compromise & Settlement Agreement of \$262.13, which included a \$250 Fine and the cost of the water produced in excess of the permitted amount. The applicant has notified the District that they feel there is a discrepancy in the numbers reported, although American Tree Farm cannot show staff why the numbers show a discrepancy. The District has meter readings from 2007 and 2008 on file and, based on these numbers, the District shows evidence the applicant has used this amount of water. Staff has made numerous visits to verify the meter readings. Since that time, it was determined American Tree Farm had a replacement well drilled in violation of the District Rules, requiring them to get approval prior to drilling. The 2nd violation American Tree Farm has with the District, is drilling the new well without authorization. The District sent them a "Notice of Violation" in the summer, notifying them they had not complied with the Compromise & Settlement Agreement and other offered opportunities. The District gave them the "Notice of Violation", stating "here is your last chance". It appears the applicant has not wanted to work with staff to resolve this matter, so staff asked it be placed on the Agenda for further action by the Board. The fees pending are \$592.45.

Bill Crawford, American Tree Farm, stated he purchased the property in October 2007 and, at that time, only one of the two wells worked. Mr. Crawford stated he had reported on the one well. The 2nd well was never used until the new well was drilled in September 2008. The first well was only used for four (4) months. Mr. Crawford feels there is no way the Tree Farm could have used that volume of water during that time. The well only pumps 21 gpm. The well was dry when the property was acquired and Mr. Crawford seems to think it never got reported. Mr. Crawford stated he wants to resolve this issue, but does not feel like he should pay the overage.

Ms. Jones stated she would like to recommend that, since Mr. Crawford has expressed willingness to work with staff, Mr. Crawford meet with her prior to the next Board Meeting to see if this issue can be resolved. A motion was made by Director Stinson, seconded by Director

Baker and unanimously carried, to approve the General Manager's recommendation to work with applicant before the next Board Meeting.

DISCUSSION AND POSSIBLE ACTION TO ISSUE A SHOW CAUSE ORDER DIRECTING MARY LOU KIRVES (TEXAS REAL ESTATE GROUP), OR ITS DESIGNATED REPRESENTATIVE, TO APPEAR AT A SHOW CAUSE HEARING FOR THAT PURPOSE AND SHOW CAUSE WHY APPROPRIATE ENFORCEMENT ACTION BE TAKEN, INCLUDING INITIATING A LAWSUIT AGAINST IT FOR FAILURE TO PERMIT AND METER WATER WELL.

Kathy Turner Jones, General Manager, encourages the Board to read the detailed Enforcement Summary, as it gives detailed background of the discussions staff and legal council has had with the individual. This well was found in non-compliance of District Rules for "Failure to Permit and Meter". In June, 2009, staff made a site visit and, at that time, discovered there was no meter, nor had the well ever been permitted. Numerous letters have been sent requesting cooperation to come into compliance. Staff has made numerous phone calls and has been told the "District is over reaching its authority". Ms. Jones stated she had asked Counsel to make a phone call to encourage them to get this matter into compliance and there was further hesitation and refusal. Brian Sledge, General Counsel, stated that since he did not sense any willingness or cooperation that Texas Real Estate Group was going to come into compliance with District Rules, it would be his recommendation to order a Show Cause Hearing to be held in conjunction with the District's January Board Meeting. If anyone fails to show, Mr. Sledge will file a lawsuit against them. Upon a motion by Director Weisinger, seconded by Director Eichelberger and unanimously passed, the Board of Directors approved the recommendation of General Counsel.

DISCUSSION AND POSSIBLE ACTION TO ACCEPT 2008 ANNUAL REPORT FOR THE LONE STAR GROUNDWATER CONSERVATION DISTRICT - MARJIE RISK.

Ms. Risk stated that, after receiving comments from Board members, changes had been made to the draft report. There was some confusion regarding the timeline of the Annual Report. The report distributed to the Board is the **2008 Annual Report**. The 2009 Annual Report is due to the Board in March, 2010. A motion was made by Director Love, seconded by Director Weisinger and unanimously carried, to accept the 2008 Annual Report.

GENERAL COUNSEL'S REPORT:

Brian Sledge, General Counsel, stated that since the last Board Meeting, the District Regulatory Plan is completed and available to the public. The next step is to work with the Rules and Bylaws Committee on the amenity pond moratorium. The committee needs to go back and make revisions that were discussed, so the District Rules will be reflective of the District Regulatory Plan A and Phase II(B). The committee also needs to add some permit review protocol and work with Mark Lowry, District Consultant, and District Staff.

In addition, Mr. Sledge noted for the Board's information that a Scheduling Order is due Friday on the TEXCOM Injection Well Case, with the judge that will set forth discovery in the hearing process. TEXCOM has submitted a report on the results of the "fall-off test." The

District's expert has reviewed the report, as well as our litigators, and they will be discussing the report with the other parties.

The Aspermont case, in which the District participated with an *amicus brief*, is still pending before the Texas Supreme Court on petition for review. It looks like it will be granted, or it would have already been denied.

An additional thing the District has ongoing, is a draft of "Desired Future Conditions" with GMA 14. Counsel stated he would be working with staff and engineers on that, as these will ultimately have big implications to the District and are due September 1, 2010. Counsel wants to make sure there are no inconsistencies with what the District has in the GRP.

Mr. Sledge wanted to mention that Texas A & M is holding a conference on January 20-21 in Austin on "The Desired Future Conditions".

GENERAL MANAGER'S REPORT:

Kathy Turner Jones stated several staff attended H2O4 Texas conference that was held in Fort Worth in November. An important fact pointed out during the conference was that population is expected to double over the next 50 years. Water experts are predicting that we will have 18% less water then, than we have now. We are seeing a push and encouragement to make it more visible to find additional sources of water and adopt a more conserving lifestyle.

As of December 1, 2009, the total permitted groundwater is 86,000 acre feet plus. It will be interesting to see, after the District receives the pumpage information in February 2010, where our numbers really come in, given the summer drought. Rules and Bylaws Committee Meeting has been scheduled for December 16, 2009. A follow-up Region H Meeting is scheduled for January 6, 2010, and TWCA Annual Conference will be held in Dallas on March 3-5, 2010.

PUBLIC COMMENT:

None

NEW BUSINESS:

None

There being no further business, upon a motion by Director Wood, seconded by Director Weisinger, the meeting was adjourned at 11:49 a.m. The next regular meeting of the Board of Directors is scheduled for January 12, 2010, at 10:00 a.m.

PASSED, APPROVED, AND ADOPTED THIS 12th DAY OF JANUARY, 2010.

Sam W. Baker, Board Secretary