

**LONE STAR
GROUNDWATER CONSERVATION DISTRICT**

Wednesday, January 28, 2015

MINUTES OF PUBLIC WORKSHOP

***PUBLIC WORKSHOP ON PROPOSED AMENDMENTS TO DISTRICT
RULES AND DISTRICT REGULATORY PLAN***

The Rules and Bylaws Committee of the Lone Star Groundwater Conservation District held a "PUBLIC WORKSHOP" open to the public at 3:30 PM, Wednesday, January 28, 2015, at 655 Conroe Park North Drive, Conroe, Texas.

CALL TO ORDER:

President Tramm called the meeting to order at 3:30 p.m. announcing that it was open to the public.

ROLL CALL:

The roll was called of the board members who are members of the committee, to wit:

Richard J. Tramm
M. Scott Weisinger, PG
W. B. Wood
John D. Bleyl, PE

Because it was anticipated that a number of other members of the District's Board of Directors would be in attendance at the public workshop / committee meeting, notice of a special called board meeting of a quorum of the board was properly provided in accordance with legal requirements, and President Tramm noted that the following board members were also present, which meant that there indeed was a quorum of the board in attendance so as to constitute a special meeting of the board of directors.

Sam Baker
Jace Houston
Rick J. Moffatt
Jim Stinson, PE

Also, in attendance at said meeting were: Kathy Turner Jones, General Manager; Brian L. Sledge and Shauna N. Fitzsimmons, General Counsel; and Mark Lowry, District Engineer.

District technical consultants; District staff; and members of the public. *(Copies of the public sign-in sheets are attached hereto as Exhibit "A").*

President Tramm gave a brief summary on the development of the proposed amendments to the District Rules and the District Regulatory Plan ("DRP") before allowing Brian Sledge, General Counsel to the District, to expand on the proposed amendments to the rules and the DRP. Mr. Sledge provided a general description of the proposed amendments to the District Rules regarding well spacing and tract size requirements for new wells drilled into the Gulf Coast Aquifer and the Catahoula Aquifer. However, because the committee found no extreme urgency in adopting the proposed well spacing and tract size rules at this time, the committee has decided to recommend that the Board table these proposed amendments for further deliberation.

Nonetheless, Mr. Sledge stated that other proposed amendments to the DRP regarding New Large Volume Groundwater Users, the transferability of permits, and procedures for Joint Groundwater Reduction Plans are more urgent in nature to the District's regulation of the Gulf Coast Aquifer and to the permit holders who must meet the 2016 conversion requirements. Thus, Mr. Sledge described the following proposed amendments to the DRP that remain open for discussion for the purposes of the workshop:

- Permitted Production Authorization for New Large Volume Groundwater Users ("new LVGUs") – The proposed amendments allow a new LVGU to, under an individual or Joint Groundwater Reduction Plan ("GRP"), to actually produce up to 10 million gallons a year, depending upon its demand, regardless of its Total Qualifying Demand ("TQD").
- The Transferability of Permits – The proposed amendments authorize the transfer of permits between LVGUs, New LVGUs, and Small Volume Groundwater Users ("SVGUs") that are otherwise prohibited to participate in permit transfers under the current DRP. Pursuant to the proposed amendments, LVGUs, New LVGUs, and SVGUs may transfer a permit issued by the District to any other person, limited to the amount of TQD held by the transferring permit holder.
- GRP Permitting Procedures – The proposed amendments clarify the permitting procedures between the District and the participants and sponsors to a Joint GRP, by allowing the Joint GRP Sponsor to be responsible each year for informing the District which participants in the Joint GRP will produce how much groundwater. Additionally, the proposed amendments provide that the GRP Sponsor is primarily responsible for paying water use fees and other fees for all participants, and is primarily on the hook for enforcement if the Joint GRP participants collectively produce more groundwater than the group is authorized to produce.

President Tramm then recognized public comments. The committee received comments from the following members of the public:

1. Mr. Mike Stoecker
2. Mr. Byron Bevers, City of Shenandoah
3. Mr. Mike Powell, attorney representing the City of Conroe
4. Mr. Bob Harden, consultant representing the City of Conroe

5. Mr. Mike Thornill
6. Mr. Mike Massey, Lake Conroe Communities Network
7. Mr. Mike Turco, Harris-Galveston Subsidence District and Fort Bend Subsidence District
8. Mr. Marty Jones, attorney representing Mike Stoecker

Mr. Bryon Bevers, City of Shenandoah, provided the only comment that directly related to the proposed amendments to the DRP currently under consideration by the District. Mr. Bevers stated that he sent a letter to the District on January 26, 2015. Mr. Bevers was specifically concerned with proposed amendments that authorize a New LVGU to produce up to 10 million gallons annually, but then state that “. . . this amount of permitted production authorization cannot be sold or transferred by the New LVGU for production at a different location or offered to a Joint GRP by the New LVGU as a participant to the Joint GRP”

Mr. Sledge responded to Mr. Bevers's comment by noting that Mr. Bevers had left out the remainder of the sentence he cited from the proposed amendments, which provides that “. . . this amount of permitted production authorization cannot be sold or transferred by the New LVGU for production at a different location or offered to a Joint GRP by the New LVGU as a participant to the Joint GRP for production by another Joint GRP participant.” Thus, Mr. Sledge explained that while a New LVGU may be unable to sell or transfer its permitted production authorization into a Joint GRP for production by another participant to the Joint GRP at a different location from the New LVGU's property, the proposed amendments nonetheless enable the New LVGU to actually produce, himself, the 10 million gallons as a participant to a Joint GRP. This applies to New LVGUs with no TQD; to the extent a New LVGU has TQD, that TQD is transferable under the proposed amendments.

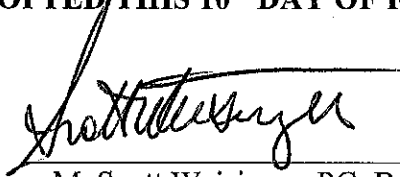
Mr. Bevers then recommended to the committee the creation of a technical advisory committee comprised of various stakeholders to provide insight to the District relevant to the proposed amendments. Mr. Bevers also mentioned that he had alternative options to the proposed amendments to the DRP for the District to consider, but that he was not ready to share them at this time. Director Weisinger asked that Mr. Bevers submit his recommendation to President Tramm.

All other comments received by the District from the public were directed at the 2016 conversion requirements as set forth under the current DRP, or just generally against the District's entire regulatory approach. Commenters recognized that they were more concerned with the current DRP Phase II(B) requirement that all LVGUs must, beginning in the year 2016, reduce their annual production to an amount equal to 70% of their TQD, or 10 million gallons, whichever amount is greater. The commenters were concerned with the basis of this required reduction, which is to reduce total annual groundwater production from the Gulf Coast Aquifer within Montgomery County, to a level that does not exceed, on average, the sustainable recharge rate of the Gulf Coast Aquifer, an amount equal to 64,000 acre-feet. The commenters questioned the District's decision to manage the aquifer on a sustainable basis and the accuracy of the 64,000 acre-feet number adopted by the District.

Mr. Sledge summarized the history that lead to the District's decision to attempt to regulate water levels in the Gulf Coast Aquifer on a sustainable basis and the various technical studies and recommendations that resulted in the District's adoption of 64,000 acre-feet as an appropriate amount of water availability to regulate groundwater production in Montgomery County.

There being no further questions from the committee or the public, the meeting was adjourned at 5:34 p.m.

PASSED, APPROVED, AND ADOPTED THIS 10th DAY OF FEBRUARY, 2015.

A handwritten signature in black ink, appearing to read "M. Scott Weisinger", written over a horizontal line.

M. Scott Weisinger, PG, Board Secretary