EXHIBIT B

LONE STAR GROUNDWATER CONSERVATION DISTRICT

Resolution #10-002

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE LONE STAR GROUNDWATER CONSERVATION DISTRICT AMENDING PHASE II(B) OF THE LONE STAR GROUNDWATER CONSERVATION DISTRICT'S DISTRICT REGULATORY PLAN

WHEREAS, the Lone Star Groundwater Conservation District (the "District") was created by the Legislature of the State of Texas by the Act of May 17, 2001, 77th Leg., R.S., ch. 1321, 2001 Tex. Gen. Laws 3246, as amended (the "Enabling Act"), as a groundwater conservation district operating under Chapter 36, Texas Water Code, and the Enabling Act; and

WHEREAS, Section 36.101 of the Texas Water Code authorizes a groundwater conservation district to make and enforce rules to provide for conserving, preserving, and protecting the groundwater resources subject to the District's regulatory jurisdiction, enhancing recharging of those groundwater reservoirs and their subdivisions, controlling subsidence, preventing waste of groundwater, and otherwise carrying out the powers and duties provided by Chapter 36 of the Texas Water Code; and

WHEREAS, the Board of Directors of the District (the "Board") initially adopted the Rules of the Lone Star Groundwater Conservation District (the "District Rules") on August 26, 2002; and

WHEREAS, as circumstances have warranted, the Board has from time to time amended the District Rules; and

WHEREAS, on November 10, 2009, the Board adopted Phase II(B) of the District Regulatory Plan (the "DRP"), which is designed to provide the actual regulatory requirements for achieving a sustainable rate of groundwater production within Montgomery County, consistent with the underlying conversion assumptions set out in Phase I of the DRP; and

WHEREAS, in recognizing that there may be certain subterranean formations containing water that might potentially be developable in a manner that would not affecting the sustainable yield of the freshwater resources of the Gulf Coast aquifer, the District has developed proposed amendments to the DRP Phase II(B) that work to exclude the Catahoula formation from the District's definition of Gulf Coast Aquifer; and

WHEREAS, by excluding the Catahoula formation from the District's definition of the Gulf Coast aquifer, the District is recognizing the potential for water produced from the Catahoula to be used by Large Volume Groundwater Users as an Alternative Water Source in their efforts to comply with applicable requirements of the DRP Phase II(B); and

WHEREAS, while recognizing the potential resource afforded by the Catahoula formation, however, the Board also recognizes that great care must be taken to ensure that any

production from the Catahoula does not impair the quantity or quality of the groundwater resources in the Chicot, Evangeline, or Jasper aquifers that overlie the Catahoula, and that with increased production pressures made on the Catahoula formation, the District's need to institute reasonable and appropriate regulations on Catahoula production may become necessary to properly manage all groundwater resources in the District that are subject to its jurisdiction; and

WHEREAS, in addition, the Board finds it necessary to adopt reasonable regulations that allow for the proper exploration for water resources within the Catahoula formation; and

WHEREAS, notice and hearing requirements set forth by Section 36.101 of the Texas Water Code have been met regarding the amendment of the District Rules, specifically the Board provided notice of a rulemaking hearing in compliance with Sections 36.101(d) and 36.101(e), Water Code, and with the District Rules; and

WHEREAS, the Board finds that the notice and hearing requirements for the regular meeting of the Board, held this day, to take up and consider adoption of the DRP Phase II(B) amendments attached hereto have been, and are, satisfied; and

WHEREAS, the Board finds that the proposed amendment to the District Rules is merited and necessary to support the District's efforts in managing the groundwater resources within the boundaries of the District in a manner consistent with the requirements of Chapter 36, Water Code, and the Enabling Act, and that the DPR Phase II(B) is supportable under the laws of the State of Texas.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE LONE STAR GROUNDWATER CONSERVATION DISTRICT THAT:

I. Each of the affirmations set forth above are true and correct.

II. The aforementioned amendments to the District Regulatory Plan Phase II(B), as specifically reflected and identified in Attachment No. 1, are hereby adopted by the Board and incorporated into the District Rules, effective this 13th day of April, 2010.

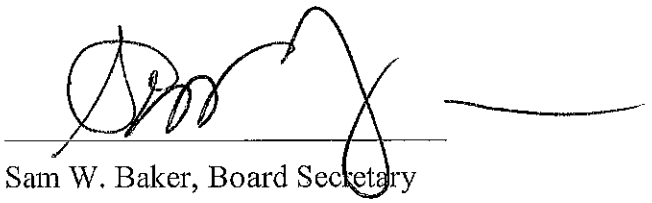
AND IT IS SO ORDERED.

PASSED AND ADOPTED ON THIS 22nd DAY OF APRIL, 2010.

LONE STAR GROUNDWATER CONSERVATION DISTRICT

By: _____
Richard J. Tramm, Board President

ATTEST:



Sam W. Baker, Board Secretary