

PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT
106 N. GONALES CUERO, TX 77954

PUBLIC HEARING AND BOARD MEETING

MINUTES

DECEMBER 14, 2010 – 4:00 P.M.

BOARD MEMBERS PRESENT: Errol John Dietze, Chairman (At Large); Bob Davis, Vice-Chairman (Pct. 4), Wilbert Sauermilch, Secretary/Treasurer (Pct. 3), Darnell Knippa, Director (Pct 2), and Ted Aven, Director (Pct. 1)

ALSO IN ATTENDANCE: Jim Allison, Attorney, Charlotte Krause, GM, and Marcia Mann, Secretary

GUESTS: Charles Cole, Bobby Garner, and Paige Powers, Petro Hawk Energy; and 10 citizens of DeWitt County.

1. CALL TO ORDER: The meeting was called to order by the Chairman at 4:00 P.M.
2. WELCOME GUESTS: Guests were welcomed by Chairman Dietze and thanked for their interest.
3. PUBLIC COMMENT: Lias (Bubba) Steen read a prepared statement reporting a severe decrease in the flow rate on two artesian wells on his property. GM was asked if static levels have been checked on any wells in the vicinity of Mr. Steen's wells. Attorney Allison asked about the depths of the wells in question and whether he knew if any other wells in the immediate area had any problems. Since Mr. Steen's property is located in the area where a great deal of hydraulic fracturing is occurring, Attorney Allison suggested that Non Exempt permitted wells in the area of Mr. Steen's area be plotted and determine which of the permitted wells have been pumped for fracturing; if pumped, when did pumping occur and to what extent to establish a cause/effect, if such a connection exists. GM is to schedule a time with Mr. Steen to check levels in the next few days.
4. OPEN PUBLIC HEARING: Public Hearing was opened by Chairman at 4:15 P.M. Attorney Allison noted that some applications were incomplete and recommended that all applications should include the number other Non-Exempt water wells already on the property. He also stated that Operating Permits cannot be issued on Exempt wells being converted to Non-Exempt use unless Exempt Drilling Permits for these wells are complete. His recommendation was to approve Drilling & Operating Permits, contingent upon completion of all missing information on each application. He further recommended that each O&G company with applications on the Agenda be notified by Certified Letter that they are not authorized to pump until an Operating Permit is issued upon completion of missing information.
 - a. PUBLIC HEARING ON OPERATING PERMIT APPLICATION FROM BURLINGTON RESOURCES O&G CO. LP FOR HYDRAULIC FRACTURING USE ON THOMAS RUCKMAN ESTATE'S PROPERTY REQUESTING 155 AF OF WATER PER YEAR: A motion was made by Bob Davis, seconded by Ted Aven, for approval, contingent upon completion of all missing information on application. Motion passed unanimously.
 - b. PUBLIC HEARING ON OPERATING PERMIT APPLICATION FROM BURLINGTON RESOURCES O&G CO., LP FOR HYDRAULIC FRACTURING USE ON G. GRAHAM HAMILTON'S PROPERTY REQUESTING 160 AF OF WATER PER YEAR: A motion was made by Bob Davis, seconded by Ted Aven, for approval, contingent upon completion of all I missing information on application. Motion passed unanimously.
 - c. PUBLIC HEARING ON NON-EXEMPT DRILLING AND OPERATING PERMIT APPLICATIONS FROM PIONEER NATURAL RESOURCES FOR HYDRAULIC FRACTURING USE ON ERNEST LEE BRUNS SR.'S PROPERTY REQUESTING 20 AF OF WATER PER YEAR: A motion was made by Bob Davis, seconded by Ted Aven, for approval, contingent upon completion of all I missing information on application. Motion passed unanimously.
 - d. PUBLIC HEARING ON NON-EXEMPT DRILLING AND OPERATING PERMIT APPLICATIONS FROM PIONEER NATURAL RESOURCES FOR HYDRAULIC FRACTURING USE ON KARINE GIPS MALANT'S PROPERTY REQUESTING 20 AF OF WATER PER YEAR: A motion was made by Bob Davis, seconded by Ted Aven, for approval, contingent upon completion of all I missing information on application. Motion passed unanimously.
 - e. PUBLIC HEARING ON NON-EXEMPT DRILLING AND OPERATING PERMIT APPLICATIONS FROM PIONEER NATURAL RESOURCES FOR HYDRAULIC FRACTURING USE ON LEM AND JEANETTE

DUDERSTADT'S PROPERTY REQUESTING 20 AF OF WATER PER YEAR: A motion was made by Bob Davis, seconded by Ted Aven, for approval, contingent upon completion of all I missing information on application. Motion passed unanimously.

- f. PUBLIC HEARING ON OPERATING PERMIT APPLICATION FROM PETRO HAWK ENERGY FOR HYDRAULIC FRACTURING USE ON GEORGE BISHOP'S PROPERTY REQUESTING 13 AF OF WATER PER YEAR: A motion was made by Bob Davis, seconded by Ted Aven, for approval, contingent upon completion of all I missing information on application. Motion passed unanimously.
- g. PUBLIC HEARING ON OPERATING PERMIT APPLICATION FROM PETRO HAWK ENERGY FOR HYDRAULIC FRACTURING USE ON CLARENCE ARNDT'S PROPERTY REQUESTING 13 AF OF WATER PER YEAR: A motion was made by Bob Davis, seconded by Ted Aven, for approval, contingent upon completion of all I missing information on application. Motion passed unanimously.
- h. PUBLIC HEARING ON OPERATING PERMIT APPLICATION FROM PETRO HAWK ENERGY FOR HYDRAULIC FRACTURING USE ON LIAS J. STEEN'S PROPERTY REQUESTING 13 AF OF WATER PER YEAR: A motion was made by Bob Davis, seconded by Ted Aven, for approval, contingent upon completion of all I missing information on application. Motion passed unanimously.
- i. PUBLIC HEARING ON OPERATING PERMIT APPLICATION FROM PETRO HAWK ENERGY FOR HYDRAULIC FRACTURING USE ON BLAKE MUIR'S PROPERTY REQUESTING 13 AF OF WATER PER YEAR: A motion was made by Bob Davis, seconded by Ted Aven, for approval, contingent upon completion of all I missing information on application. Motion passed unanimously.
- j. PUBLIC HEARING ON OPERATING PERMIT APPLICATION FROM PETRO HAWK ENERGY FOR HYDRAULIC FRACTURING USE ON BERNARD AND JOYCE WARWAS'S PROPERTY REQUESTING 13 AF OF WATER PER YEAR: A motion was made by Bob Davis, seconded by Ted Aven, for approval, contingent upon completion of all I missing information on application. Motion passed unanimously.
- k. PUBLIC HEARING ON OPERATING PERMIT APPLICATION FROM PETRO HAWK ENERGY FOR HYDRAULIC FRACTURING USE ON GROVER WEIKEL ESTATE'S PROPERTY JOINTLY OWNED BY KENNETH WEIKEL, GARY WEIKEL, DAVID WEIKEL, MILTON WEIKEL, AND ALICE WALKER, REQUESTING 13 AF OF WATER PER YEAR: A motion was made by Bob Davis, seconded by Ted Aven, for approval, contingent upon completion of all I missing information on application. Motion passed unanimously.
- l. PUBLIC HEARING ON NON-EXEMPT DRILLING AND OPERATING PERMIT APPLICATIONS FROM PETRO HAWK ENERGY FOR HYDRAULIC FRACTURING USE ON JOHNNY POKLUDA'S PROPERTY REQUESTING 13 AF OF WATER PER YEAR: A motion was made by Bob Davis, seconded by Ted Aven, for approval, contingent upon completion of all I missing information on application. Motion passed unanimously.
- m. PUBLIC HEARING ON NON-EXEMPT DRILLING AND OPERATING PERMIT APPLICATIONS FROM PETRO HAWK ENERGY FOR HYDRAULIC FRACTURING USE ON BLAKE MUIR'S PROPERTY REQUESTING 13 AF OF WATER PER YEAR: A motion was made by Bob Davis, seconded by Ted Aven, for approval, contingent upon completion of all I missing information on application. Motion passed unanimously.
- n. PUBLIC HEARING ON NON-EXEMPT DRILLING AND OPERATING PERMIT APPLICATIONS FROM PETRO HAWK ENERGY FOR HYDRAULIC FRACTURING USE ON LIAS J. STEEN'S PROPERTY REQUESTING 13 AF OF WATER PER YEAR: A motion was made by Bob Davis, seconded by Ted Aven, for approval, contingent upon completion of all I missing information on application. Motion passed unanimously.

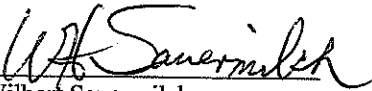
5. CLOSE PUBLIC HEARING: Public Hearing was closed at 5:40 P.M. by Chairman Dietze.

6. DISCUSSION AND CONSIDERATION OF OPERATING PERMIT APPLICATION FROM BURLINGTON RESOURCES O&G CO LP FOR HYDRAULIC FRACTURING USE ON THOMAS RUCKMAN ESTATE'S PROPERTY REQUESTING 155 AF OF WATER PER YEAR: Following recommendation by Attorney Allison, a motion was made by Bob Davis to approve Agenda Items 6-19, subject to the following terms: All permit applicants of Agenda Items 6-19 shall be notified by certified letter that permits would be approved but not issued until all missing information on applications is submitted to the GM. Applicants are to be notified further that they are not authorized to pump water for hydraulic fracturing use until Operating Permits are issued by GM. Motion was seconded by Ted Aven and carried unanimously.

7. DISCUSSION AND CONSIDERATION OF OPERATING PERMIT APPLICATION FROM BURLINGTON RESOURCES O&G CO LP FOR HYDRAULIC FRACTURING USE ON G. GRAHAM HAMILTON'S PROPERTY REQUESTING 160 AF OF WATER PER YEAR: Following recommendation by Attorney Allison, a motion was made by Bob Davis to approve Agenda Items 6-19, subject to the following terms: All permit applicants of Agenda Items 6-19 shall be notified by certified letter that permits would be approved but not issued until all missing information on applications is submitted to the GM. Applicants are to be notified further that they are not authorized to pump water for hydraulic fracturing use until Operating Permits are issued by GM. Motion was seconded by Ted Aven and carried unanimously.
8. DISCUSSION AND CONSIDERATION OF NON-EXEMPT DRILLING AND OPERATING PERMIT APPLICATIONS FROM PIONEER NATURAL RESOURCES FOR HYDRAULIC FRACTURING USE ON ERNEST LEE BRUNS SR.'S PROPERTY REQUESTING 20 AF OF WATER PER YEAR: Following recommendation by Attorney Allison, a motion was made by Bob Davis to approve Agenda Items 6-19, subject to the following terms: All permit applicants of Agenda Items 6-19 shall be notified by certified letter that permits would be approved but not issued until all missing information on applications is submitted to the GM. Applicants are to be notified further that they are not authorized to pump water for hydraulic fracturing use until Operating Permits are issued by GM. Motion was seconded by Ted Aven and carried unanimously.
9. DISCUSSION AND CONSIDERATION OF NON-EXEMPT DRILLING AND OPERATING PERMIT APPLICATIONS FROM PIONEER NATURAL RESOURCES FOR HYDRAULIC FRACTURING USE ON KARINE GIPS MALANT'S PROPERTY REQUESTING 20 AF OF WATER PER YEAR: Following recommendation by Attorney Allison, a motion was made by Bob Davis to approve Agenda Items 6-19, subject to the following terms: All permit applicants of Agenda Items 6-19 shall be notified by certified letter that permits would be approved but not issued until all missing information on applications is submitted to the GM. Applicants are to be notified further that they are not authorized to pump water for hydraulic fracturing use until Operating Permits are issued by GM. Motion was seconded by Ted Aven and carried unanimously.
10. DISCUSSION AND CONSIDERATION OF NON-EXEMPT DRILLING AND OPERATING PERMIT APPLICATIONS FROM PIONEER NATURAL RESOURCES FOR HYDRAULIC FRACTURING USE ON LEM AND JEANETTE DUDERSTADT'S PROPERTY REQUESTING 20 AF OF WATER PER YEAR Following recommendation by Attorney Allison, a motion was made by Bob Davis to approve Agenda Items 6-19, subject to the following terms: All permit applicants of Agenda Items 6-19 shall be notified by certified letter that permits would be approved but not issued until all missing information on applications is submitted to the GM. Applicants are to be notified further that they are not authorized to pump water for hydraulic fracturing use until Operating Permits are issued by GM. Motion was seconded by Ted Aven and carried unanimously.
11. DISCUSSION AND CONSIDERATION OF OPERATING PERMIT APPLICATION FROM PETRO HAWK ENERGY FOR HYDRAULIC FRACTURING USE ON GEORGE BISHOP'S PROPERTY REQUESTING 13 AF OF WATER PER YEAR: Following recommendation by Attorney Allison, a motion was made by Bob Davis to approve Agenda Items 6-19, subject to the following terms: All permit applicants of Agenda Items 6-19 shall be notified by certified letter that permits would be approved but not issued until all missing information on applications is submitted to the GM. Applicants are to be notified further that they are not authorized to pump water for hydraulic fracturing use until Operating Permits are issued by GM. Motion was seconded by Ted Aven and carried unanimously.
12. DISCUSSION AND CONSIDERATION OF OPERATING PERMIT APPLICATION FROM PETRO HAWK ENERGY FOR HYDRAULIC FRACTURING USE ON CLARENCE ARNDT'S PROPERTY REQUESTING 13 AF OF WATER PER YEAR: Following recommendation by Attorney Allison, a motion was made by Bob Davis to approve Agenda Items 6-19, subject to the following terms: All permit applicants of Agenda Items 6-19 shall be notified by certified letter that permits would be approved but not issued until all missing information on applications is submitted to the GM. Applicants are to be notified further that they are not authorized to pump water for hydraulic fracturing use until Operating Permits are issued by GM. Motion was seconded by Ted Aven and carried unanimously.
13. DISCUSSION AND CONSIDERATION OF OPERATING PERMIT APPLICATION FROM PETRO HAWK ENERGY FOR HYDRAULIC FRACTURING USE ON LIAS J. STEEN'S PROPERTY REQUESTING 13 AF OF WATER PER YEAR: Following recommendation by Attorney Allison, a motion was made by Bob Davis to approve Agenda Items 6-19, subject to the following terms: All permit applicants of Agenda Items 6-19 shall be notified by certified letter that permits would be approved but not issued until all missing information on applications is submitted to the GM. Applicants are to be notified further that they are not authorized to pump water for hydraulic fracturing use until Operating Permits are issued by GM. Motion was seconded by Ted Aven and carried unanimously.

14. DISCUSSION AND CONSIDERATION OF OPERATING PERMIT APPLICATION FROM PETRO HAWK ENERGY FOR HYDRAULIC FRACTURING USE ON BLAKE MUIR'S PROPERTY REQUESTING 13 AF OF WATER PER YEAR Following recommendation by Attorney Allison, a motion was made by Bob Davis to approve Agenda Items 6-19, subject to the following terms: All permit applicants of Agenda Items 6-19 shall be notified by certified letter that permits would be approved but not issued until all missing information on applications is submitted to the GM. Applicants are to be notified further that they are not authorized to pump water for hydraulic fracturing use until Operating Permits are issued by GM. Motion was seconded by Ted Aven and carried unanimously.
15. DISCUSSION AND CONSIDERATION OF OPERATING PERMIT APPLICATION FROM PETRO HAWK ENERGY FOR HYDRAULIC FRACTURING USE ON BERNARD & JOYCE WARWAS'S PROPERTY REQUESTING 13 AF OF WATER PER YEAR Following recommendation by Attorney Allison, a motion was made by Bob Davis to approve Agenda Items 6-19, subject to the following terms: All permit applicants of Agenda Items 6-19 shall be notified by certified letter that permits would be approved but not issued until all missing information on applications is submitted to the GM. Applicants are to be notified further that they are not authorized to pump water for hydraulic fracturing use until Operating Permits are issued by GM. Motion was seconded by Ted Aven and carried unanimously.
16. DISCUSSION AND CONSIDERATION OF OPERATING PERMIT APPLICATION FROM PETRO HAWK ENERGY FOR HYDRAULIC FRACTURING USE ON GROVER WEIKEL ESTATE'S PROPERTY JOINTLY OWNED BY KENNETH WEIKEL, GARY WEIKEL, DAVID WEIKEL, MILTON WIEKEL, AND ALICE WALKER, REQUESTING 13 AF OF WATER PER YEAR: Following recommendation by Attorney Allison, a motion was made by Bob Davis to approve Agenda Items 6-19, subject to the following terms: All permit applicants of Agenda Items 6-19 shall be notified by certified letter that permits would be approved but not issued until all missing information on applications is submitted to the GM. Applicants are to be notified further that they are not authorized to pump water for hydraulic fracturing use until Operating Permits are issued by GM. Motion was seconded by Ted Aven and carried unanimously.
17. DISCUSSION AND CONSIDERATION OF NON-EXEMPT DRILLING AND OPERATING PERMIT APPLICATIONS FROM PETRO HAWK ENERGY FOR HYDRAULIC FRACTURING USE ON JOHNNY POKLUDA'S PROPERTY REQUESTING 13AF OF WATER PER YEAR: Following recommendation by Attorney Allison, a motion was made by Bob Davis to approve Agenda Items 6-19, subject to the following terms: All permit applicants of Agenda Items 6-19 shall be notified by certified letter that permits would be approved but not issued until all missing information on applications is submitted to the GM. Applicants are to be notified further that they are not authorized to pump water for hydraulic fracturing use until Operating Permits are issued by GM. Motion was seconded by Ted Aven and carried unanimously.
18. DISCUSSION AND CONSIDERATION OF NON-EXEMPT DRILLING AND OPERATING PERMIT APPLICATIONS FROM PETRO HAWK ENERGY FOR HYDRAULIC FRACTURING USE ON BLAKE MUIR'S PROPERTY REQUESTING 13AF OF WATER PER YEAR: Following recommendation by Attorney Allison, a motion was made by Bob Davis to approve Agenda Items 6-19, subject to the following terms: All permit applicants of Agenda Items 6-19 shall be notified by certified letter that permits would be approved but not issued until all missing information on applications is submitted to the GM. Applicants are to be notified further that they are not authorized to pump water for hydraulic fracturing use until Operating Permits are issued by GM. Motion was seconded by Ted Aven and carried unanimously.
19. DISCUSSION AND CONSIDERATION OF NON-EXEMPT DRILLING AND OPERATING PERMIT APPLICATIONS FROM PETRO HAWK ENERGY FOR HYDRDAULIC FRACTURING USE ON LIAS J. STEEN'S PROPERTY REQUESTING 13 AF OF WATER PER YEAR: Following recommendation by Attorney Allison, a motion was made by Bob Davis to approve Agenda Items 6-19, subject to the following terms: All permit applicants of Agenda Items 6-19 shall be notified by certified letter that permits would be approved but not issued until all missing information on applications is submitted to the GM. Applicants are to be notified further that they are not authorized to pump water for hydraulic fracturing use until Operating Permits are issued by GM. Motion was seconded by Ted Aven and carried unanimously.
20. MINUTES FROM PRIOR MEETING (11/16/10): Minutes were presented in Board packets for review and approval. A motion to accept the minutes as presented was made by Ted Aven, seconded by Wilbert Sauermilch, and carried unanimously.
21. FINANCIAL REPORT: The financial reports were reviewed as presented in the board packets. A motion was made by Wilbert Sauermilch to approve the financial reports as presented, seconded by Darnell Knippa, which carried unanimously.

22. PRESENTATION AND APPROVAL OF FISCAL YEAR 2010 ANNUAL AUDIT BY GOLDMAN, HUNT, AND NOTZ CPAS: Due to a scheduling conflict Donald Goldman was unable to attend Board meeting for presentation of his final Audit Report. Action was tabled until next meeting.
23. DISCUSSION AND CONSIDERATION TO ENCUMBER 2010 FISCAL YEAR UNRESERVED BALANCE: Action was tabled until presentation of Annual Audit Report by Goldman, Hunt, Notz, CPAS.
24. DISCUSSION AND CONSIDERATION OF PEST CONTROL EXPENSES: A motion to contract with The Bug Man Company for monthly pest control services at a rate of \$50 per month was made by Ted Aven. Motion was seconded by Bob Davis and carried unanimously.
25. DISCUSSION OF GROUNDWATER PROTECTION ISSUES: John Justiss addressed the Board regarding his letter sent to Board members. Mr. Justiss is requesting consideration of a number of new regulatory procedures including but not limited to the establishment of an Indemnity Program to be applied exclusively to commercial water sales. Attorney Allison discussed the legal limitations governing the District and explained that all legal use of water within the District must be subject to the same set of rules. He further explained that the District does not have the authority to accumulate and administrate a monetary fund for potential damages to existing wells.
26. DISCUSSION AND CONSIDERATION OF JAMES ALLISON LEGAL BILL FOR FY 2010: GM has verified random charges and recommended approval and payment of bill. A motion was made by Ted Aven to pay the bill as presented, seconded by Darnell Knippa, and carried unanimously.
27. DISCUSSION AND CONSIDERATION OF BOARD MEMBER CANDIDATES: Board decided to interview the three candidates on Monday, Dec. 20, 2010, at 8:00 A.M.
28. GENERAL MANAGER'S REPORT:
 - a) GM attended the TAGD meeting in Austin. Discussions were held concerning the TFB legislation and hydraulic fracturing.
 - b) Efforts are being made to get better compliance from Oil & Gas companies on the water usage reports, both exempt and non-exempt.
 - c) Work on the RFP and rules revisions has been ongoing. Rules revisions will be discussed in January after the two new Board members are seated.
 - d) Other items scheduled to be discussed at the January meeting are ethics, Public Information and Open Records, as well as Open Meetings training.
 - e) Static level monitoring was done on the Maraldo and Butler locations.
 - f) GM informed the Board that Goliad County GCD has asked for the District's support in the nomination of one of their Board members to fill the vacancy on the Region L Board.
 - g) The District office will be closed on December 23 and 24 for Christmas and on December 31 for New Years.
29. EXECUTIVE SESSION: No executive session called.
30. RETURN TO OPEN MEETING: No executive session called.
31. NEXT SCHEDULED BOARD MEETING: Next meeting is scheduled for December 29, 2010.
32. ADJOURNMENT: The meeting was adjourned at 6:25 P.M. by Chairman Dietze with a motion from Bob Davis, seconded by Darnell Knippa, and carried unanimously.


Sec/Wilbert Sauermilch
Recorded: Marcia Mann, Secretary