

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

PUBLIC HEARING AND BOARD MEETING

MINUTES

JANUARY 18, 2011 – 4:00 P.M.

BOARD MEMBERS PRESENT: Darnell Knippa, Chairman (Pct. 2); Ted Aven, Vice-Chairman (Pct. 1), Wilbert Sauermilch, Secretary/Treasurer (Pct. 3), Gil Riedesel, Director (Pct. 2), and Clem Waskow, Director (At Large)

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

GUESTS: Charles Cole, Bobby Garner, and Paige Powers, Petro Hawk Energy; John Justiss, Joe Naiser, Robert Egg, Claude Steen, Delores Steen, and Donald Goldman

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 Knippa and thanked for their interest.
3. PUBLIC COMMENT: Claude Steen spoke regarding the use of artesian wells as regulated by Chapter 11, Texas Water Code. He urged the Board to give careful consideration to the possible damage to artesian wells when considering operating permits in the District. Attorney Allison assured Mr. Steen that the District is continuing to monitor the possible effects of commercial water use and will be mindful of those issues when considering Non-Exempt Drilling and Operating Permit applications.
4. OPEN PUBLIC HEARING: Public Hearing was opened by Chairman at 4:10 P.M. GM stated her possible conflict of interest regarding Agenda Items 4b through 4f and also Agenda Item 4o. These items had been referred to Attorney Allison for review prior to meeting. Attorney Allison then certified that these items do meet all criteria for consideration according to District rules. GM stated that Agenda Items 4a, 4i, 4j, 4k, 4m, 4n, 4p, 4q, and 4r meet all criteria for consideration according to District rules. GM recommended that Agenda Items 4g and 4h be removed from the Agenda due to the landowner's lack of permission to Applicant to drill. GM also recommended that Agenda Item 4l be removed from the Agenda because Application was deemed incomplete.
 - a. PUBLIC HEARING ON OPERATING PERMIT APPLICATION FROM DARRELL MATEJEK FOR IRRIGATION PURPOSES ON HIS PROPERTY LOCATED ON MULBERRY ROAD IN CUERO INVOLVING 9.25 ACRES, REQUESTING 4.5 AF OF WATER PER YEAR: A motion was made to strike Agenda Items 4g, 4h, and 4l by Clem Waskow and to open for action Agenda Items 4a through 4f, 4i through 4k, and 4m through 4r. Motion was seconded by Ted Aven and carried unanimously.
 - b. PUBLIC HEARING ON THE NON-EXEMPT DRILLING PERMIT APPLICATION FROM PRECISION DRILLING CO., LP. FOR A MONITOR WELL ON MARSHA BAACKE'S PROPERTY (#1) LOCATED AT 1710 FM 3157 IN CUERO INVOLVING 140 ACRES: A motion was made to strike Agenda Items 4g, 4h, and 4l by Clem Waskow and to open for action Agenda Items 4a through 4f, 4i through 4k, and 4m through 4r. Motion was seconded by Ted Aven and carried unanimously.
 - c. PUBLIC HEARING ON THE NON-EXEMPT DRILLING PERMIT APPLICATION FROM PRECISION DRILLING CO., LP. FOR A MONITOR WELL ON MARSHA BAACKE'S PROPERTY (#2) LOCATED AT 1710 FM 3157 IN CUERO INVOLVING 140 ACRES: A motion to strike Agenda Items 4g, 4h, and 4l and to open for action Agenda Items 4a through 4f, 4i through 4k, and 4m through 4r was made by Clem Waskow. Motion was seconded by Ted Aven and carried unanimously.
 - d. PUBLIC HEARING ON THE NON-EXEMPT DRILLING PERMIT APPLICATION FROM PRECISION DRILLING CO., LP. FOR A MONITOR WELL ON MARSHA BAACKE'S PROPERTY (#3) LOCATED AT 1710 FM 3157 IN CUERO INVOLVING 140 ACRES: A motion to strike Agenda Items 4g, 4h, and 4l and to open for action Agenda Items 4a through 4f, 4i through 4k, and 4m through 4r was made by Clem Waskow. Motion was seconded by Ted Aven and carried unanimously.

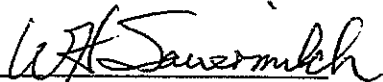
- e. PUBLIC HEARING ON THE NON-EXEMPT DRILLING PERMIT APPLICATION FROM PRECISION DRILLING CO., LP. FOR A MONITOR WELL ON MARSHA BAACKE'S PROPERTY (#4) LOCATED AT 1710 FM 3157 IN CUERO INVOLVING 140 ACRES.: A motion to strike Agenda Items 4g, 4h, and 4l and to open for action Agenda Items 4a through 4f, 4i through 4k, and 4m through 4r was made by Clem Waskow. Motion was seconded by Ted Aven and carried unanimously.
- f. PUBLIC HEARING ON THE NON-EXEMPT DRILLING PERMIT APPLICATION FROM PRECISION DRILLING CO., LP. FOR A MONITOR WELL ON MARSHA BAACKE'S PROPERTY (#5) LOCATED AT 1710 FM 3157 IN CUERO INVOLVING 140 ACRES.: A motion to strike Agenda Items 4g, 4h, and 4l and to open for action Agenda Items 4a through 4f, 4i through 4k, and 4m through 4r was made by Clem Waskow. Motion was seconded by Ted Aven and carried unanimously.
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- h. PUBLIC HEARING ON THE NON-EXEMPT DRILLING PERMIT APPLICATION FROM PRECISION DRILLING CO., LP. FOR A MONITOR WELL ON EDWIN & LUCILLE THIEME'S PROPERTY (#2) LOCATED AT 1720 FM 3157 IN CUERO INVOLVING 40 ACRES.: A motion was made to strike Agenda Items 4g, 4h, and 4l by Clem Waskow and to open for action Agenda Items 4a through 4f, 4i through 4k, and 4m through 4r. Motion was seconded by Ted Aven and carried unanimously.
- i. PUBLIC HEARING ON THE OPERATING PERMIT AMENDMENT APPLICATION FROM BURLINGTON RESOURCES O&G CO., LP. ON W.E. BUTLER'S PROPERTY REQUESTING 19 AF OF WATER PER YEAR FOR A TOTAL OF 44 AF PER YEAR. PROPERTY LOCATION IS ON SIMPSON RANCH ROAD IN NORDHEIM AND INVOLVES 1.306 ACRES.: A motion was made to strike Agenda Items 4g, 4h, and 4l by Clem Waskow and to open for action Agenda Items 4a through 4f, 4i through 4k, and 4m through 4r. Motion was seconded by Ted Aven and carried unanimously.
- j. PUBLIC HEARING ON THE OPERATING PERMIT AMENDMENT APPLICATION FROM PIONEER NATURAL RESOURCES FOR ON HOPE SCHORLEMER'S PROPERTY REQUESTING AN ADDITION 8.9 AF OF WATER FOR A TOTAL OF 25 AF PER YEAR. PROPERTY LOCATION IS 1400 GARFIELD ROAD IN YORKTOWN AND INVOLVES 200 ACRES.: A motion was made to strike Agenda Items 4g, 4h, and 4l by Clem Waskow and to open for action Agenda Items 4a through 4f, 4i through 4k, and 4m through 4r. Motion was seconded by Ted Aven and carried unanimously.
- k. PUBLIC HEARING ON THE OPERATING PERMIT AMENDMENT APPLICATION FROM PETRO HAWK ENERGY ON BLAKE MUIR'S PROPERTY REQUESTING AN ADDITIONAL 13 AF OF WATER PER YEAR FOR A TOTAL OF 129.89 AF PER YEAR. PROPERTY LOCATION IS ON FM 766 IN CUERO AND INVOLVES 1,867 ACRES.: A motion was made to strike Agenda Items 4g, 4h, and 4l by Clem Waskow and to open for action Agenda Items 4a through 4f, 4i through 4k, and 4m through 4r. Motion was seconded by Ted Aven and carried unanimously.
- l. PUBLIC HEARING ON OPERATING PERMIT APPLICATION FROM BURLINGTON RESOURCES O&G CO, LP ON THE SCHENDEL FAMILY PARTNERSHIP LTD'S PROPERTY REQUESTING 47 AF OF WATER PER YEAR. PROPERTY LOCATION IS ON CR 350 IN NORDHEIM AND INVOLVES 797.9 ACRES.: A motion was made to strike Agenda Items 4g, 4h, and 4l by Clem Waskow and to open for action Agenda Items 4a through 4f, 4i through 4k, and 4m through 4r. Motion was seconded by Ted Aven and carried unanimously.
- m. PUBLIC HEARING ON NON-EXEMPT DRILLING AND OPERATING PERMIT APPLICATIONS FROM PIONEER NATURAL RESOURCES ON RONALD AFFLERBACH'S PROPERTY REQUESTING 20 AF OF WATER PER YEAR. PROPERTY LOCATION IS 1452 GOHLKE SCHOOL RD IN YORKTOWN AND INVOLVES 110.4 ACRES.: A motion was made to strike Agenda Items 4g, 4h, and 4l by Clem Waskow and to open for action Agenda Items 4a through 4f, 4i through 4k, and 4m through 4r. Motion was seconded by Ted Aven and carried unanimously.

- n. PUBLIC HEARING ON NON-EXEMPT DRILLING AND OPERATING PERMIT APPLICATIONS FROM PIONEER NATURAL RESOURCES ON THE MUELLER FAMILY TRUST'S PROPERTY REQUESTING 20 AF OF WATER PER YEAR. PROPERTY LOCATION IS 1039 FM 240 IN YORKTOWN AND INVOLVES 651.65 ACRES.: A motion was made to strike Agenda Items 4g, 4h, and 4l by Clem Waskow and to open for action Agenda Items 4a through 4f, 4i through 4k, and 4m through 4r. Motion was seconded by Ted Aven and carried unanimously.
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 - p. PUBLIC HEARING ON THE OPERATING PERMIT APPLICATION FROM PETRO HAWK ENERGY ON STEELE PARTNERS LTD'S PROPERTY REQUESTING 26 AF OF WATER PER YEAR. PROPERTY LOCATION ON MORGAN RD IN CUERO AND INVOLVES 652.4 ACRES.: A motion was made to strike Agenda Items 4g, 4h, and 4l by Clem Waskow and to open for action Agenda Items 4a through 4f, 4i through 4k, and 4m through 4r. Motion was seconded by Ted Aven and carried unanimously.
 - q. PUBLIC HEARING ON THE OPERATING PERMIT APPLICATION FROM PETRO HAWK ENERGY ON LISA MUECKE CASKEY'S PROPERTY REQUESTING 26 AF OF WATER PER YEAR. PROPERTY LOCATION IS ON FM 2656 IN YORKTOWN AND INVOLVES 191.98 ACRES.: A motion was made to strike Agenda Items 4g, 4h, and 4l by Clem Waskow and to open for action Agenda Items 4a through 4f, 4i through 4k, and 4m through 4r. Motion was seconded by Ted Aven and carried unanimously.
 - r. PUBLIC HEARING ON THE OPERATING PERMIT APPLICATION FROM PETRO HAWK ENERGY ON DARLEEN JORDAN'S PROPERTY REQUESTING 15 AF OF WATER PER YEAR. PROPERTY LOCATION IS ON POKLUDA RD IN NORDHEIM AND INVOLVES 74.67 ACRES.: A motion was made to strike Agenda Items 4g, 4h, and 4l by Clem Waskow and to open for action Agenda Items 4a through 4f, 4i through 4k, and 4m through 4r. Motion was seconded by Ted Aven and carried unanimously.
5. CLOSE PUBLIC HEARING: Public Hearing was closed at 4:45 P.M. by Chairman Knippa.
 6. DISCUSSION AND CONSIDERATION OF OPERATING PERMIT APPLICATION FROM DARRELL MATEJEK REQUESTING 4.5 AF OF WATER PER YEAR FOR IRRIGATION PURPOSES ON HIS PROPERTY LOCATED ON MULBERRY RD IN CUERO INVOLVING 9.25 ACRES.: A motion to approve and grant Agenda Items 6 through 11, 14 through 16, and 18 through 23 was made by Ted Aven and seconded by Wilbert Sauermilch. Motion carried unanimously.
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24. MINUTES FROM PRIOR MEETINGS (12/14/10, 12/20/10, AND 12/29/10): 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 Clem Waskow, and carried unanimously.
25. FINANCIAL REPORT: The financial reports were presented by GM. A motion to approve the financial reports as presented was made by Wilbert Sauermilch, seconded by Clem Waskow, and carried unanimously.
26. QUARTERLY INVESTMENT REPORT: The Quarterly Investment Report was presented by GM. A motion to approve the report as presented was made by Wilbert Sauermilch, seconded by Ted Aven, and carried unanimously.
27. PRESENTATION AND APPROVAL OF FISCAL YEAR 2010 ANNUAL AUDIT BY GOLDMAN, HUNT, AND NOTZ CPAS: Donald Goldman presented the FY 2010 Annual Audit findings. District was commended by Mr. Goldman for the internal audit procedures in place. A motion to accept the Audit Report as presented was made by Wilbert Sauermilch, seconded by Clem Waskow, and carried unanimously.
28. DISCUSSION AND CONSIDERATION TO ENCUMBER 2010 FISCAL YEAR UNRESERVED BALANCE: A motion was made by Wilbert Sauermilch to move \$40,000 from 2010 FY Unreserved Balance to Future Groundwater Studies leaving \$9,000 to be put into 2011 FY Unreserved Balance. Motion was seconded by Ted Aven and carried unanimously.
29. DISCUSSION AND CONSIDERATION OF RFP RESPONSES: Board was given a copy of each of the three responses received for the RFP issued for a study to determine the possible effects of hydraulic fracturing on aquifers in our District. Attorney Allison noted that one response did not quote on all five elements requested in the RFP. GM was asked to contact Dr. Uddameri to determine if he would like to amend his response to include all five elements. A special meeting may be necessary to take action on which response to accept after Board has had time to analyze all responses.
30. DISCUSSION AND CONSIDERATION OF GROUNDWATER STUDY: A motion was made by Ted Aven, seconded by Wilbert Sauermilch, to table action on this item until RFP responses can be analyzed. Motion carried unanimously.
31. DISCUSSION AND CONSIDERATION ON UPDATING THE BANK ACCOUNTS WITH NEW BOARD MEMBERS: A motion to remove Bob Davis and Errol John Dietze from all District bank accounts and to add new Board members Clem Waskow and Gil Riedesel on checking account signature card was made by Wilbert Sauermilch. Motion was seconded by Ted Aven and carried unanimously.
32. DISCUSSION AND CONSIDERATION OF REMOTE BACKUP PROCEDURES: GM presented a quotation to provide computer files backup at an offsite location from Pete Davis. A motion to enroll in this backup service was made by Gil Riedesel, seconded by Wilbert Sauermilch, and carried unanimously.

33. DISCUSSION AND CONSIDERATION OF OFFICE EXPENSES (FILE CABINET AND SAFE): GM requested approval to purchase a new file cabinet and a fireproof safe to store computer program CD's and other materials. A motion to approve these purchases was made by Ted Aven, seconded by Wilbert Sauermilch, and carried unanimously.
34. GENERAL MANAGER'S REPORT:
- a) GM reported taking static level readings on Mr. Steen's wells. Levels seem to be holding steady. Other wells in the area are also being monitored.
 - b) Hilcorp O&G is attempting to drill a well to produce brackish water for hydraulic fracturing use.
 - c) Information has been received in the District office regarding the possible drilling of a very large production well in the Westhoff/Cheapside area. Applications have not been filed but preliminary conversations indicate the landowner will want to permit approximately 450AF of water and the pump will produce approximately 400-500 gpm. Well will be drilled to 1500 ft. or deeper.
 - d) Complaints have been received from two landowners in the Nordheim area about problems with water availability. GM will continue to monitor.
 - e) Board members were given some suggested rule changes to be considered for future action regarding placement of production wells in large tracts being located in the center of the property.
35. EXECUTIVE SESSION: Chairman Knippa opened an Executive Session at 6:45 P.M.
36. RETURN TO OPEN MEETING: Open meeting was resumed at 7:05 P.M. A motion to increase the General Manager's salary to \$40,000 annually effective February 1, 2011, was made by Wilbert Sauermilch, seconded by Clem Waskow, and carried unanimously.
37. NEXT SCHEDULED BOARD MEETING: Next meeting is scheduled for February 15, 2011.
38. ADJOURNMENT: The meeting was adjourned at 7:15 P.M. by Chairman Knippa with a motion from Ted Aven, seconded by Gil Riedesel, and carried unanimously.



Sec/Wilbert Sauermilch

Recorded: Marcia Mann, Secretary