

PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT  
107 N. GONZALES CUERO, TX 77954

PUBLIC HEARING AND BOARD MEETING  
MINUTES

DECEMBER 20, 2011 – 2:00 P.M.

Board Members Present: Darnell Knippa, Chairman (Pct. 2), Clem Waskow, Vice-Chairman (At Large), and Wilbert Sauermilch, Secretary/Treasurer (Pct. 3).

Board Members Absent: Gil Riedesel, Director (Pct. 4) and Tim Pennell, Director (Pct. 1).

Also in attendance: Charlotte Krause, GM; Marcia Mann, Admin. Asst.; and Jim Allison, Board Attorney.

Guests: Will Bledsoe (Pioneer); Robert Garner, Charles Cole, James Pittman, and Brittney Harryman (Petrohawk); Douglas Heider; Mr. & Mrs. James Nelson; Steven Bonjonia and Sean Kennedy (NuWater).

1. Call to Order: The meeting was called to order by the Chairman at 2:00 P.M.
2. Welcome Guests: Chairman welcomed guests and thanked them for their interest.
3. Public Comment: No public comment.
4. Public Hearing – Petrohawk Energy – James Natho
  - A. Public Hearing on the Operating Permit Application from Petrohawk Energy on James Natho's Property. The proposed permit application is to be used to hydraulic fracture an oilfield location. The Operating Permit Application is requesting 15 AF (acre feet) of water for a total of 85 (acre feet) per year from two water wells. This property is located on Hwy 87 North near Mustang Mott, Texas and involves 216 acres: No public comment or objection.
  - B. Discussion and possible action on the Operating Permit Application from Petrohawk Energy on James Natho's property. A motion to approve the Operating Permit in the amount of 15 AF (acre feet) of water per year for a total of 85 (acre feet) of water per year from two water wells was made by Clem Waskow, seconded by Wilbert Sauermilch, and carried unanimously.
5. Public Hearing – Petrohawk Energy – Arthur G. Hermann III
  - A. Public Hearing on the Operating Permit Application from Petrohawk Energy on Arthur G. Hermann III's property. The proposed permit application is to be used to hydraulic fracture and oilfield location. The Operating Permit Application is requesting 20 AF (acre feet) of water per year for a total of 40 (acre feet) of water per year from two water wells. This property is located on Hermann Road near Hochheim, Texas and involves 129.04 acres: No public comment or objection.

- B. Discussion and possible action on the Operating Permit Application from Petrohawk Energy on Arthur Hermann III's Property: A motion to approve the Operating Permit in the amount of 20 AF (acre feet) of water for a total of 40 (acre feet) of water per year was made by Clem Waskow, seconded by Wilbert Sauermilch, and carried unanimously.
6. Public Hearing – Petrohawk Energy – Elaine Schroeder Revocable Trust
- A. Public Hearing on the Operating Permit Application from Petrohawk Energy on Elaine Schroeder Revocable Trust's Property. The proposed permit application is to be used to hydraulic fracture an oilfield location. The Operating Permit Application is requesting 20 AF (acre feet) of water per year. This property is located on Immenhauser Road near Concrete, Texas and involves 248.81 acres: No public comment or objection stated.
  - B. Discussion and possible action on the Operating Permit Application from Petrohawk Energy on Elaine Schroeder Revocable Trust's property: A motion to approve the Operating permit in the amount of 20 AF (acre feet) of water per year was made by Clem Waskow, seconded by Wilbert Sauermilch, and carried unanimously.
7. Public Hearing – Petrohawk Energy – Claude & Lynn Pohler
- A. Public Hearing on the Operating Permit Application from Petrohawk Energy on Claude & Lynn Pohler's Property. The proposed permit application is to be used to hydraulic fracture an oilfield location. The Operating Permit Application is requesting 20 AF (acre feet) of water per year. This property is located on Richter Road near Concrete, Texas and involves 73.5 acres: No public comment or objection stated.
  - B. Discussion and possible action on the Operating Permit Application from Petrohawk Energy on Claude & Lynn Pohler's property: A motion to approve the Operating Permit Application in the amount of 20 AF (acre feet) of water per year was made by Clem Waskow, seconded by Wilbert Sauermilch, and carried unanimously.
8. Public Hearing – Petrohawk Energy – Walter Fischer
- A. Public Hearing on the Operating Permit Application from Petrohawk Energy on Walter Fischer's Property. The proposed permit application is to be used to hydraulic fracture an oilfield location. The Operating Permit Application is requesting 20 AF (acre feet) of water per year. This property is located on Dubose Ranch Road near Westhoff, Texas and involves 392.78 acres: No public comment or objection stated.
  - B. Discussion and possible action on the Operating Permit Application from Petrohawk Energy on Walter Fischer's property: A motion to approve the Operating permit in the amount of 20 AF (acre feet) of water per year was made by Clem Waskow, seconded by Wilbert Sauermilch, and carried unanimously.
9. Public Hearing – Petrohawk Energy – Marilyn Gaida Estate
- A. Public Hearing on the Operating Permit Application from Petrohawk Energy on Marilyn Gaida Estate's property. The proposed permit application is to be used to hydraulic fracture an oilfield location. The Operating Permit Application is requesting 20 AF (acre feet) of water per year for a total of 40 (acre feet) per year. This property is located on Dubose Ranch Road near Westhoff, Texas and involves 120 acres: No public comment or objection stated.

- B. Discussion and consideration on the Operating Permit Application from Petrohawk Energy on Marilyn Gaida Estate's property: A motion to approve the Operating permit in the amount of 20 AF (acre feet) of water per year was made by Clem Waskow, seconded Wilbert Sauermilch, and carried unanimously.

10. Public Hearing – Petrohawk Energy – Larry Vasbinder

- A. Public Hearing on the Operating Permit Application from Petrohawk Energy on Larry Vasbinder's Property. The proposed permit application is to be used to hydraulic fracture an oilfield location. The Operating Permit Application is requesting 20 AF (acre feet) of water per year. This property is located on FM 2656 near Yorktown, Texas and involves 257.75 acres: No public comment or objection stated.
- B. Discussion and consideration on the Operating Permit Application from Petrohawk Energy on Larry Vasbinder's property: A motion to approve the Operating permit in the amount of 20 AF (acre feet) of water per year was made by Wilbert Sauermilch, seconded by Clem Waskow, and carried unanimously.

11. Public Hearing – Petrohawk Energy – Louis Ciaccio

- A. Public Hearing on the Operating Permit Application from Petrohawk Energy on Louis Ciaccio's Property. The proposed permit application is to be used to hydraulic fracture an oilfield location. The Operating Permit Application is requesting 20 AF (acre feet) of water per year. This property is located on Ckudre Road near Yorktown, Texas and involves 124.3 acres: No public comment or objection stated.
- B. Discussion and consideration on the Operating Permit Application from Petrohawk Energy on Louis Ciaccio's property: A motion to approve the Operating permit in the amount of 20 AF (acre feet) of water per year was made by Clem Waskow, seconded by Wilbert Sauermilch, and carried unanimously.

12. Public Hearing – Petrohawk Energy – William Cusak

- A. Public Hearing on the Operating Permit Application from Petrohawk Energy on William Cusak's Property. The proposed permit application is to be used to hydraulic fracture an oilfield location. The Operating Permit Application is requesting 20 AF (acre feet) of water per year for a total of 40 (acre feet) of water per year from two water wells. This property is located on Boldt Road near Westhoff, Texas and involves 782.97 acres: No public comment or objection stated.
- B. Discussion and consideration on the Operating Permit Application from Petrohawk Energy on William Cusak's property: A motion to approve the Operating permit in the amount of 20 AF (acre feet) of water per year, for a total of 40 (acre feet) of water per year from two water wells was made by Clem Waskow, seconded by Wilbert Sauermilch, and carried unanimously.

13. Public Hearing – Petrohawk Energy – James Nelson

- A. Public Hearing on the Operating Permit Amendment Application from Petrohawk Energy on James Nelson's Property. The proposed permit application is to be used to hydraulic fracture an oilfield location. The Operating Permit Amendment Application is requesting an additional 25 AF (acre feet) of water per year for a total of 40 (acre feet) of water per year. This property is located on FM 2656 near Yorktown, Texas and involves 91.5 acres: Applicant asked the Board to table action until the next Board meeting. Mr. James Nelson asked for

clarification on why request was being tabled. Petrohawk representative explained that the water may not be needed and wanted time to re-evaluate their request.

- B. Discussion and consideration on the Operating Permit Application from Petrohawk Energy on James Nelson's property: A motion to table action on the Operating Permit Amendment Application was made by Clem Waskow, seconded by Wilbert Sauermilch, and carried unanimously.

14. Public Hearing – Burlington Resources – Lorna Borgfeld

- A. Public Hearing on the Operating Permit Application from Burlington Resources on Lorna Borgfeld's Property. The proposed permit application is to be used to hydraulic fracture an oilfield location. The Operating Permit Application is requesting 40 AF (acre feet) of water per year. This property is located on Gruenau Rd near Yorktown Texas and involves 222.67 acres: No public comment or objection stated.
- B. Discussion and consideration on the Operating Permit Application from Burlington Resources on Lorna Borgfeld's property: A motion to approve the Operating permit application in the amount of 40 AF (acre feet) of water per year was made by Wilbert Sauermilch, seconded by Clem Waskow, and carried unanimously.

15. Public Hearing – Pioneer Natural Resources – Douglas Heider

- A. Public Hearing on the Drilling and Operating Permit Applications from Pioneer Natural Resources on Douglas Heider's property. The proposed permit application is to be used to hydraulic fracture an oilfield location. The Operating Permit Application is requesting 20 AF (acre feet) of water per year. This property is located on FM 2542 near Mustang Mott, Texas and involves 58 acres: No public comment or objection stated.
- B. Discussion and consideration on the Drilling and Operating Permit Applications from Pioneer Natural Resources on Douglas Heider's property: A motion to approve the Drilling Permit and to approve the Operating permit application in the amount of 20 AF (acre feet) of water per year was made by Clem Waskow, seconded by Wilbert Sauermilch, and carried unanimously.

16. Public Hearing – Pioneer Natural Resources – Shirley Ann Ibrom

- A. Public Hearing on the Drilling and Operating Permit Applications from Pioneer Natural Resources on Shirley Ann Ibrom's Property. The proposed permit application is to be used to hydraulic fracture an oilfield location. The Operating Permit Application is requesting 60 AF (acre feet) of water per year. This property is located on Hwy 119 near Yorktown, Texas and involves 156.65 acres: No public comment or objection stated.
- B. Discussion and consideration on the Drilling and Operating Permit Applications from Pioneer Natural Resources on Shirley Ann Ibrom's property: A motion to approve the Drilling Permit and to approve the Operating permit in the amount of 60 AF (acre feet) of water per year was made by Clem Waskow, seconded by Wilbert Sauermilch, and carried unanimously.

17. Public Hearing – Pioneer Natural Resources – Howard & Rosemary McElroy

- A. Public Hearing on the Operating Permit Amendment Application from Pioneer Natural Resources on Howard & Rosemary McElroy's property. The proposed permit amendment application is to be used to hydraulic fracture an oilfield location. The Operating Permit Amendment Application is requesting 40 (acre feet) of water for a total of 100 (acre feet) of

water per year. This property is located on FM 2980 near Yorktown, Texas and involves 295.68 acres: No public comment or objection stated.

- B. Discussion and possible action on Operating Permit Amendment Application from Pioneer Natural Resources on Howard & Rosemary McElroy's property. A motion to approve the Operating Permit Amendment Application in the amount of 40 (acre feet) of water for a total of 100 (acre feet) of water per year was made by Clem Waskow, seconded by Wilbert Sauermilch, and carried unanimously.

18. Public Hearing – Pioneer Natural Resources – Hope Schorlemer

- A. Public Hearing on the Operating Permit Amendment Application from Pioneer Natural Resources on Hope Schorlemer's property. The proposed permit amendment application is to be used to hydraulic fracture an oilfield location. The Operating Permit Amendment Application is requesting an additional 15 AF (acre feet) of water for a total of 40 AF (acre feet) of water per year. This property is located on Garfield Road near Yorktown, Texas and involves 200.00 acres: No public comment or objection stated.
- B. Discussion and possible action on Operating Permit Amendment Application from Pioneer Natural Resources on Hope Schorlemer's property. A motion to approve the Operating Permit Amendment Application in the amount of 15 AF (acre feet) of water for a total of 40 (acre feet) of water per year was made by Clem Waskow, seconded by Wilbert Sauermilch, and carried unanimously.

19. Public Hearing – Robert Moore

- A. Public Hearing on the Drilling and Operating Permit Applications from Robert Moore. The proposed permit applications are for commercial use for an RV park. The Operating Permit Application is requesting 0.78 AF (acre feet) of water per year. This property is located at 44 Rainbow Road near Thomaston, Texas and involves 1.62 acres: No public comment or objection stated.
- B. Discussion and possible action on Drilling and Operating Permit Applications from Robert Moore: A motion to approve the Drilling Permit and to approve the Operating Permit Application in the amount of 0.78 AF (acre feet) of water per year was made by Clem Waskow, seconded by Wilbert Sauermilch, and carried unanimously.

20. Public Hearing – Brian Dlugosch

- A. Public Hearing on the Operating Permit Application from Brian Dlugosch #1. The proposed permit application is for commercial use for an RV park. The Operating Permit Application is requesting 2 AF (acre feet) of water per year. This property is located on Hwy 237 near Yorktown, Texas and involves 10.6 acres: GM noted that the description posted in Agenda was incorrect and requested the Board to table action.
- B. Discussion and possible action on Operating Permit Application from Brian Dlugosch: A motion to table action on the Operating Permit Application from Brian Dlugosch was made by Clem Waskow, seconded by Wilbert Sauermilch, and carried unanimously.

21. Public Hearing – Brian Dlugosch

- A. Public Hearing on the Operating Permit Application from Brian Dlugosch #2. The proposed permit application is for commercial use for an RV park. The Operating Permit Application is requesting 1 AF (acre foot) of water per year. This property is located on Hwy 237 near Yorktown, Texas and involves 10.6 acres: No public comment or objection stated.

- B. Discussion and possible action on Operating Permit Application from Brian Dlugosch: A motion to approve the Operating Permit Application in the amount of 1 (acre foot) of water per year from Brian Dlugosch was made by Clem Waskow, seconded by Wilbert Sauermilch, and carried unanimously.
22. Minutes from 11-15-11 Meeting (provided prior to meeting): A motion to approve the minutes from the 11-15-11 meeting as presented was made by Wilbert Sauermilch, seconded by Clem Waskow, and carried unanimously.
  23. Financial Report: A motion to approve the financial reports as presented was made by Wilbert Sauermilch, seconded by Clem Waskow, and carried unanimously.
  24. Presentation and approval of Fiscal Year 2011 Annual Audit by Goldman Hunt and Notz (auditors): Donald Goldman, outside Financial Auditor for the District, presented the Audit Report and end of Fiscal Year Financial Reports for the Board's consideration. A motion to approve the reports as presented was made by Wilbert Sauermilch, seconded by Clem Waskow, and carried unanimously.
  25. Discussion and possible action regarding transfer of Unreserved Funds to Reserved Funds: GM summarized the needed financial adjustments. A motion was made by Wilbert Sauermilch, to move a total of \$110,000.00 from Uncommitted Funds to Committed Funds (\$50,000.00 to Legal Expense and \$60,000.00 to Groundwater Studies). Motion was seconded by Clem Waskow, and carried unanimously.
  26. Discussion and possible action regarding Energy Equity disposal well site and use of non-exempt water well: To date no response has been received from the certified letter notifying Energy Equity of their violation of District Rules. Per District Enforcement Policy, if no response is received within 30 days a second letter will be sent from Attorney Allison's office. GM was asked to provide Attorney Allison with a summary and timeline of events up to this point. Board consensus was to allow the Enforcement Policy steps to proceed.
  27. Discussion regarding Coletto Creek Study: GM presented the Board with copies of the Final Report issued by USGS.
  28. Discussion regarding MAG (managed available groundwater) Estimates Report for GMA 15: GM explained the Final MAG report numbers for the DFC Statement adopted by GMA 15 last year.
  29. Discussion and possible action regarding 2012 Office Schedule (Holidays & Board Meetings): GM requested the Board consider moving the dates of the January meeting to January 10 and the February meeting to February 14 since the Mondays before the 3<sup>rd</sup> Tuesday in January and February are both designated holidays. A motion to approve the revised schedule was made by Wilbert Sauermilch, seconded by Clem Waskow, and carried unanimously.
  30. Discussion and possible action regarding review of By-Laws: GM explained that lay-out and format of all District policies have been updated for a consistent appearance. Signature lines have been included on each to document review and approval by the Board. A motion to approve the By-Laws as presented was made by Wilbert Sauermilch, seconded by Clem Waskow, and carried unanimously.
  31. Discussion and possible action regarding review of Internal Control Policy: GM explained that lay-out and format of all District policies have been updated for a consistent appearance. Signature

lines have been included on each to document review and approval by the Board. A motion to approve the Internal Control Policy as presented was made by Wilbert Sauermilch, seconded by Clem Waskow, and carried unanimously.

32. Discussion and possible action regarding review of Investment Policy: GM explained that lay-out and format of all District policies have been updated for a consistent appearance. Signature lines have been included on each to document review and approval by the Board. A motion to approve the Investment Policy as presented was made by Wilbert Sauermilch, seconded by Clem Waskow, and carried unanimously.
33. Discussion and possible action regarding review of Enforcement Policy: GM explained that lay-out and format of all District policies have been updated for a consistent appearance. Signature lines have been included on each to document review and approval by the Board. A motion to approve the Enforcement Policy as presented was made by Wilbert Sauermilch, seconded by Clem Waskow, and carried unanimously.
34. Discussion and possible action regarding review of Personnel Policy: GM explained that lay-out and format of all District policies have been updated for a consistent appearance. Signature lines have been included on each to document review and approval by the Board. A motion to approve the Personnel Policy as presented was made by Wilbert Sauermilch, seconded by Clem Waskow, and carried unanimously.
35. General Manager Report:
  - Attended the TAGD meeting in Austin November 29-30. Meetings for 2012 will be in March, June, August & October. One meeting will be held at the Lonestar GCD office and TAGD is considering hosting a 2-day Statewide Groundwater Conference. Venders, suppliers, drillers, GCD's, and politicians would be included. Still in early planning stage.
  - Attended GMA 15 meeting on December 8 in Victoria. Delegates were appointed to the Regional Boards. SB 660 outlined upcoming changes for GMA's. A new Administrator for GMA 15 was appointed, Tim Andruss-VCGCD. Future funding for GMA's was discussed with the possibility of GCD's having to assist with funding due to State budget cuts.
  - Local driller installed a 2 HP pump on an Exempt well with a 25 GPM capacity. This exceeds the 25,000 gpd limit for Exempt wells. Landowner will be contacted to rectify the situation and bring this well into compliance.
  - State compliance audit is ongoing and will not be concluded for the next several months.
  - Exempt Well Drilling Permit form may need to be changed to clarify the 25,000 gpd limit. Several cases recently have indicated that applicants are not aware of that limitation.
36. Closed Meeting (If necessary) – Close the meeting to conduct private consultation with PVGCD attorney regarding matters protected by the attorney-client privilege pursuant to V.T.C.A. Government Code 551. 07. or to discuss matters regarding personnel pursuant to V.T.C.A. Government Code 551.074: No Executive Session called.
37. Return to Open Meeting (If Necessary) – Return to open meeting and take any action deemed necessary based upon discussions in closed meeting pursuant to V.T.C.A. Government Code 551.102: No Executive Session called.

38. Next Scheduled Board Meeting Date: Next meeting is scheduled for January 10, 2012, at 2:00 P.M.

39. Adjournment: Meeting was adjourned at 4:10 p.m. by the Chairman with a motion from Clem Waskow, seconded by Wilbert Sauermilch, and carried unanimously.



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Sec/Wilbert Sauermilch

Recorded: Marcia Mann, Admin. Assistant