

PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT
107 N. GONZALES CUERO, TX 77954
PUBLIC HEARING AND BOARD MEETING
MINUTES

AUGUST 19, 2014 – 2:00 P.M.

Board Members Present: Darnell Knippa, Chairman (Pct. 2), Clem Waskow, Vice-Chairman (At Large), Wilbert Sauermilch, Secretary/Treasurer (Pct. 3), Tim Pennell (Pct. 1), and Marvin Sager, Director (Pct. 4).

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

Guests: M/M Nick Ochoa, Jr.; Roy Richter; Craig Wenske; Eugene Wenske; Jamie Kelley; Dwayne Kelley; Rebecca Graber; Charles Cole and Michael Addison (BHP); and Harold High.

1. Call to order: The meeting was called to order by the Chairman at 2:00 P.M.
2. Welcome guests: Guests were welcomed.
3. Public comment: No public comment.

PUBLIC HEARINGS OPENED AT 2:01 P.M.

4. Public Hearing – Charles Sutton III
 - a. Public Hearing on the Spacing Variance from Charles Sutton III: Hearing is to receive public comments on the Spacing Variance from Charles Sutton III. This property is located at 1191 Lakeside Drive, Cuero, Texas. No public comment or objection stated.
 - b. Discussion and consideration of spacing variance request from Charles Sutton III: A motion to approve the spacing variance request as presented was made by Tim Pennell, seconded by Marvin Sager, which carried unanimously.
5. Public Hearing – Bluebonnet Youth Ranch
 - a. Public Hearing on the Drilling and Operating Permit Applications from Bluebonnet Youth Ranch. The proposed permit application is for irrigation use. Permit Application is requesting 11 AF of water per year. This property is located at 4652 US Hwy 77A South near Yoakum, Texas and involves 45 acres. No public comment or objection stated.
 - b. Discussion and consideration of drilling and operating permit applications from Bluebonnet Youth Ranch: A motion to approve the Drilling Permit and to approve the Operating Permit Application in the amount of 11 AF of water per year was made by Marvin Sager, seconded by Wilbert Sauermilch, which carried unanimously.

6. Public Hearing – Kirk Laging

- a. Public Hearing on the Drilling and Operating Permit Applications from Kirk Laging. The proposed permit application is for commercial use. Permit Application is requesting 1 AF of water per year. This property is located at 579 US Hwy 87 North near Cuero, Texas and involves 2 acres. No public comment or objection stated.
- b. Discussion and consideration of drilling and operating permit applications from Kirk Laging: A motion to approve the Drilling Permit and to approve the Operating Permit Application in the amount of 1 AF of water per year was made by Tim Pennell, seconded by Wilbert Sauermilch, which carried unanimously.

7. Public Hearing – Harold High II

- a. Public Hearing on the Drilling and Operating Permit Applications from Harold High II. The proposed permit application is for agriculture use. Permit Application is requesting 62.93 AF of water per year. This property is located at 2173 Catholic Church Lane near Westhoff, Texas and involves 125.86 acres. No public comment or objection stated.
- b. Discussion and consideration of drilling and operating permit applications from Harold High II: A motion to approve the Drilling Permit and to approve the Operating Permit Application in the amount of 62.93 AF of water per year was made by Tim Pennell, seconded by Marvin Sager, which carried unanimously.

8. Public Hearing – Pete Dlugosch

- a. Public Hearing on the Drilling and Operating Permit Applications from Pete Dlugosch. The proposed permit application is for commercial and agriculture use. Permit Application is requesting 19.6 AF of water per year. This property is located at Hwy 72 West near Cuero, Texas and involves 43.39 acres. No public comment or objection stated.
- b. Discussion and consideration of drilling and operating permit applications from Pete Dlugosch: A motion to approve the Drilling Permit and to approve the Operating Permit Application in the amount of 19.6 AF of water per year was made by Tim Pennell, seconded by Wilbert Sauermilch, which carried unanimously.

9. Public Hearing – DeWitt County Precinct 2

- a. Public Hearing on the Drilling and Operating Permit Applications from DeWitt County Precinct 2. The proposed permit application is for industrial use. Permit Application is requesting 2.69 AF of water per year. This property is located on FM 1447 near Cuero, Texas, and involves 5.39 acres. No public comment or objection stated.
- b. Discussion and consideration of drilling and operating permit applications from DeWitt County Precinct 2: A motion to approve the Drilling Permit and to

approve the Operating Permit Application in the amount of 2.69 AF of water per year was made by Clem Waskow, seconded by Wilbert Sauermilch, which carried unanimously.

10. Public Hearing – James Cloughton

- a. Public Hearing on the Drilling and Operating Permit Applications from James Cloughton. The proposed permit application is for irrigation use. Permit Application is requesting 33.18 AF of water per year. This property is located at 1906 Mueller Lange Road near Cuero, Texas and involves 66.36 acres. No public comment or objection stated.
- b. Discussion and consideration of drilling and operating permit applications from James Cloughton: A motion to approve the Drilling Permit and to approve the Operating Permit Application in the amount of 33.18 AF of water per year was made by Clem Waskow, seconded by Wilbert Sauermilch, which carried unanimously.

11. Public Hearing – Statoil US Holdings – Jeanie Heard

- a. Public Hearing on the Operating Permit Amendment Application from Statoil US Holdings on Jeanie Heard'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 7.25 AF of water per year for a total of 19.25 AF of water per year and a combined total of 99.25 AF of water per year from three permitted wells. This property is located on Alfred Blaschke Rd. near Nordheim, Texas and involves 145 acres. No public comment or objection stated.
- b. Discussion and consideration of operating permit amendment application from Statoil US Holdings on Jeanie Heard's property: A motion to approve the Operating Permit Amendment Application in the amount of an additional 7.25 AF of water per year for a total of 19.25 AF of water per year and a combined total of 99.25 AF of water per year from three permitted wells was made by Tim Pennell, seconded by Wilbert Sauermilch, which carried unanimously.

12. Public Hearing – Statoil US Holdings – Jeanie Heard

- a. Public Hearing on the Operating Permit Amendment Application from Statoil US Holdings on Jeanie Heard'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 7.25 AF of water per year for a total of 19.25 AF of water per year and a combined total of 106.5 AF of water per year from three permitted wells. This property is located on Alfred Blaschke Rd. near Nordheim, Texas and involves 145 acres. No public comment or objection stated.
- b. Discussion and consideration of operating permit amendment application from Statoil US Holdings on Jeanie Heard's property: A motion to approve the

Operating Permit Amendment Application in the amount of an additional 7.25 AF of water per year for a total of 19.25 AF of water per year and a combined total of 106.5 AF of water per year from three permitted wells was made by Clem Waskow, seconded by Wilbert Sauermilch, which carried unanimously.

13. Public Hearing – Spacing Variance – BHP Billiton

- a. Public Hearing on the Spacing Variance from BHP Billiton on Cottonmill Trust's Property: Hearing is to receive public comments on the Spacing Variance from BHP Billiton. This property is located on Boldt Road, Cuero, Texas. No public comment or objection stated.
- b. Discussion and consideration of spacing variance request from BHP Billiton: A motion to approve the spacing variance request as presented was made by Marvin Sager, seconded by Tim Pennell, which carried unanimously.

14. Public Hearing – BHP Billiton – Cottonmill Trust

- a. Public Hearing on the Operating Permit Application from BHP Billiton on Cottonmill Trust's property: The proposed permit application is to be to hydraulic fracture an oilfield location. The Operating Permit Application is requesting 40 AF of water per year and a combined total of 140 AF of water per year from three permitted wells. This property is located on Boldt Road near Cuero, Texas and involves 587 acres. No public comment or objection stated.
- b. Discussion and consideration of operating permit application from BHP Billiton on Cottonmill Trust's property: A motion to approve the Operating Permit Application in the amount of 40 AF of water per year and a combined total of 140 AF of water per year from three permitted wells was made by Wilbert Sauermilch, seconded by Clem Waskow, which carried unanimously.

15. Public Hearing – BHP Billiton – Cottonmill Trust

- a. Public Hearing on the Operating Permit Amendment Application from BHP Billiton on Cottonmill Trust's property: The proposed permit amendment application is to be used to hydraulic fracture an oilfield location. The Operating Permit Amendment Application is requesting 20 AF of water per year for a total of 40 AF of water per year from this well and a combined total of 160 AF of water per year from four water wells. This property is located on Boldt Road near Cuero, Texas and involves 587 acres. No public comment or objection stated.
- b. Discussion and consideration of operating permit amendment application from BHP Billiton on Cottonmill Trust's property: A motion to approve the Operating Permit Amendment Application in the amount of 20 AF of water per year for a total of 40 AF of water per year from this water well and a combined total of 160 AF of water per year from four water wells was made by Clem Waskow, seconded by Wilbert Sauermilch, which carried unanimously.

16. Public Hearing – BHP Billiton – Oliver Ventures

- a. Public Hearing on the Operating Permit Application from BHP Billiton on Oliver Ventures' property: The proposed permit application is to be used to hydraulic fracture an oilfield location. The Operating Permit Application is requesting 30 AF of water per year for a combined total of 110 AF of water per year from three water wells. This property is located on Bellevue Cemetery Road near Westhoff, Texas and involves 944 acres. No public comment or objection stated.
- b. Discussion and consideration of operating permit application from BHP Billiton on Oliver Ventures' property: A motion to approve the Operating Permit Application in the amount of an additional 30 AF of water per year for a combined total of 110 AF of water per year from three water wells was made by Tim Pennell, seconded by Wilbert Sauermilch, which carried unanimously.

17. Public Hearing – BHP Billiton – Oliver Ventures

- a. Public Hearing on the Operating Permit Application from BHP Billiton on Oliver Ventures' property: The proposed permit application is to be used to hydraulic fracture an oilfield location. The Operating Permit Application is requesting 30 AF of water per year for a combined total of 140 AF of water per year from four water wells. This property is located on Bellevue Cemetery Road near Westhoff, Texas and involves 944 acres. No public comment or objection stated.
- b. Discussion and consideration of operating permit application from BHP Billiton on Oliver Ventures' property: A motion to approve the Operating Permit Application in the amount of an additional 30 AF of water per year for a combined total of 140 AF of water per year from four water wells was made by Tim Pennell, seconded by Wilbert Sauermilch, which carried unanimously.

18. Public Hearing – BHP Billiton – Johnny Blackwell

- a. Public Hearing on the Operating Permit Amendment Application from BHP Billiton on Johnny Blackwell'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 30 AF of water per year for a total of 50 AF of water per year. This property is located on Boldt Road near Westhoff, Texas and involves 249 acres. No public comment or objection stated.
- b. Discussion and consideration of operating permit amendment application from BHP Billiton on Johnny Blackwell's property: A motion to approve the Operating Permit Amendment Application in the amount of an additional 30 AF of water per year for a total of 50 AF of water per year was made by Tim Pennell, seconded by Marvin Sager, which carried unanimously.

19. Public Hearing – BHP Billiton – Clarence Arndt

- a. Public Hearing on the Operating Permit Amendment Application from BHP Billiton on Clarence Arndt'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 30 AF of water per year for a combined total of 63 AF of water per year. This property is located on Arndt Road near Westhoff, Texas and involves 215 acres. No public comment or objection stated.

- b. Discussion and consideration of operating permit amendment application from BHP Billiton on Clarence Arndt's property: A motion to approve the Operating Permit Amendment Application in the amount of an additional 30 AF of water per year for a combined total of 63 AF of water per year was made by Tim Pennell, seconded by Wilbert Sauermilch, which carried unanimously.

20. Public Hearing – BHP Billiton – Colina Ventosa

- a. Public Hearing on the Operating Permit Amendment Application from BHP Billiton on Colina Ventosa'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 20 AF of water per year for a combined total of 33 AF of water per year. This property is located on US Hwy 87N near Westhoff, Texas and involves 1,542 acres. No public comment or objection stated.
- b. Discussion and consideration of operating permit amendment application from BHP Billiton on Colina Ventosa's property: A motion to approve the Operating Permit Amendment Application in the amount of an additional 20 AF of water per year for a combined total of 33 AF of water per year was made by Marvin Sager, seconded by Wilbert Sauermilch, which carried unanimously.

21. Public Hearing – BHP Billiton – Bonnie Burton & Lanette Gips

- a. Public Hearing on the Operating Permit Amendment Application from BHP Billiton on Bonnie Burton & Lanette Gips' 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 20 AF of water per year for a total of 40 AF of water per year and a combined total of 70 AF of water per year from two water wells. This property is located on US Hwy 87N near Westhoff, Texas and involves 114 acres. No public comment or objection stated.
- b. Discussion and consideration of operating permit amendment application from BHP Billiton on Bonnie Burton & Lanette Gips' property: No action taken, application withdrawn by Applicant.

22. Public Hearing – BHP Billiton – August & Hazel Schulle

- a. Public Hearing on the Operating Permit Amendment Application from BHP Billiton on August & Hazel Schulle'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 40 AF of water per

year for a total of 80 AF of water per year. This property is located on US Hwy 87N near Westhoff, Texas and involves 182 acres. No public comment or objection stated.

- b. Discussion and consideration of operating permit amendment application from BHP Billiton on August & Hazel Schulle's property: A motion to approve the Operating Permit Amendment Application in the amount of an additional 40 AF of water per year for a total of 80 AF of water per year was made by Tim Pennell, seconded by Clem Waskow, which carried unanimously.

23. Public Hearing – BHP Billiton – Darlene Jordan

- a. Public Hearing on the Operating Permit Amendment Application from BHP Billiton on Darlene Jordan'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 of water per year for a total of 30 AF of water per year. This property is located on Elroyce Helmers Road near Nordheim, Texas and involves 75 acres. No public comment or objection stated.
- b. Discussion and consideration of operating permit amendment application from BHP Billiton on Darlene Jordan's property: A motion to approve the Operating Permit Amendment Application in the amount of an additional 15 AF of water per year for a total of 30 AF of water per year was made by Tim Pennell, seconded by Wilbert Sauermilch, which carried unanimously.

24. Public Hearing – BHP Billiton – Nick Ochoa

- a. Public Hearing on the Operating Permit Amendment Application from BHP Billiton on Nick Ochoa'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 14 AF of water per year for a total of 40 AF of water per year. This property is located on Dworaczyk Road near Nordheim, Texas and involves 135 acres. No public comment or objection stated.
- b. Discussion and consideration of operating permit amendment application from BHP Billiton on Nick Ochoa's property: A motion to approve the Operating Permit Amendment Application in the amount of an additional 14 AF of water per year for a total of 40 AF of water per year was made by Marvin Sager, seconded by Clem Waskow, which carried unanimously.

25. Public Hearing – BHP Billiton – Tam-Warzecha Estate Partnership

- a. Public Hearing on the Operating Permit Amendment Application from BHP Billiton on Tam-Warzecha Estate Partnership'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 20 AF of water per year for a total of 40 AF of water per year and a combined total of 60

AF of water per year from two water wells. This property is located on FM 2656 near Nordheim, Texas and involves 159 acres: No public comment or objection stated.

- b. Discussion and consideration of operating permit amendment application from BHP Billiton on Tam-Warzecha Estate Partnership's property: A motion to approve the Operating Permit Amendment Application in the amount of an additional 20 AF of water per year for a total of 40 AF of water per year and a combined total of 60 AF of water per year from two water wells was made by Tim Pennell, seconded by Wilbert Sauermilch, which carried unanimously.

26. Public Hearing – BHP Billiton – Tam-Warzecha Estate Partnership

- a. Public Hearing on the Operating Permit Amendment Application from BHP Billiton on Tam-Warzecha Estate Partnership'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 of water per year for a total of 35 AF of water per year and a combined total of 75 AF of water per year from two water wells. This property is located on FM 2656 near Nordheim, Texas and involves 159 acres: No public comment or objection stated.
- b. Discussion and consideration of operating permit amendment application from BHP Billiton on Tam-Warzecha Estate Partnership's property: A motion to approve the Operating Permit Amendment Application in the amount of an additional 15 AF of water per year for a total of 35 AF of water per year and a combined total of 75 AF of water per year from two water wells was made by Tim Pennell, seconded by Marvin Sager, which carried unanimously.

27. Public Hearing – BHP Billiton – Blake Muir

- a. Public Hearing on the Operating Permit Amendment Application from BHP Billiton on Blake Muir'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 20 AF of water per year for a total of 40 AF of water per year and a combined total of 66 AF of water per year from two water wells. This property is located on FM 766 near Cuero, Texas and involves 402 acres. No public comment or objection stated.
- b. Discussion and consideration of operating permit application from BHP Billiton on Blake Muir's property: A motion to approve the Operating Permit Amendment Application in the amount of an additional 29 AF of water per year for a total of 40 AF of water per year and a combined total of 66 AF of water per year from two water wells was made by Tim Pennell, seconded by Wilbert Sauermilch, which carried unanimously.

28. Public Hearing – BHP Billiton – Blake Muir

- a. Public Hearing on the Operating Permit Amendment Application from BHP Billiton on Blake Muir'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 14 AF of water per year for a total of 40 AF of water per year and a combined total of 80 AF of water per year from two water wells. This property is located on FM 766 near Cuero, Texas and involves 402 acres. No public comment or objection stated.
- b. Discussion and consideration of operating permit application from BHP Billiton on Blake Muir's property: A motion to approve the Operating Permit Amendment Application in the amount of an additional 14 AF of water per year for a total of 40 AF of water per year and a combined total of 80 AF of water per year from two water wells was made by Clem Waskow, seconded by Wilbert Sauermilch, which carried unanimously.

29. Public Hearing – BHP Billiton – Blake Muir

- a. Public Hearing on the Operating Permit Amendment Application from BHP Billiton on Blake Muir'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 17 AF of water per year for a total of 50 AF of water per year and a combined total of 380.89 AF of water per year from eight water wells. This property is located on FM 766 near Cuero, Texas and involves 1,867 acres. No public comment or objection stated.
- b. Discussion and consideration of operating permit application from BHP Billiton on Blake Muir's property: A motion to approve the Operating Permit Amendment Application in the amount of an additional 17 AF of water per year for a total of 50 AF of water per year and a combined total of 380.89 AF of water per year from eight water wells was made by Tim Pennell, seconded by Wilbert Sauermilch, which carried unanimously.

PUBLIC HEARINGS CLOSED AT 2:30 P.M.

30. Discussion regarding complaints about permitted well #0268 and water table dropping: Board heard comments from Roy Richter, Craig Wenske, Jamie Kelly and Dwane Kelly about having to lower their pumps due to water levels dropping. They believe that permitted well #0268 issued for commercial water sales is causing the water level to drop. Attorney Allison explained the District position and that any rule changes would have to apply to all landowners in the area if special emergency needs were identified and that course of action pursued. He suggested that the concerned landowners contact the holder of permit #0268 and discuss possible solutions to the problem since the well in question is pumping well below the allowable amount. GM was asked to make a site visit and gather further information for future consideration.

31. Minutes from 07-15-14 Meeting (provided prior to meeting): A motion to approve the minutes as presented was made by Clem Waskow, seconded by Marvin Sager, which carried unanimously.
32. Financial Reports – July (provided prior to meeting): A motion to approve the July financial reports as presented was made by Wilbert Sauermilch, seconded by Marvin Sager, which carried unanimously.
33. Budget/Tax Rate Workshop: After discussion a motion was made to lower the current tax rate and set the District's FY 2015 tax rate at .0068% by Tim Pennell, seconded by Marvin Sager, which carried unanimously.
34. Discussion and consideration of moving the September board meeting date: A motion to move the date of the September board meeting to September 9, 2014, was made by Clem Waskow, seconded by Marvin Sager, which carried unanimously.
35. Discussion and possible action regarding enforcement actions against Carole Schultz and Brian Dlugosch, and an update regarding Kenneth Benbow: A motion was made to refer Carole Schultz and Brian Dlugosch to Attorney Allison for the third step in the Enforcement Policy was made by Wilbert Sauermilch, seconded by Marvin Sager, which carried unanimously. Attorney Allison reported that he had received a written request from Kenneth Benbow to cancel his permit and no further action is necessary in Mr. Benbow's case.
36. Discussion and consideration of office renovations: GM reported that Frank Burns has been ill and unable to prepare a lease for the District's current office space. No action will be taken until Mr. Burns prepares the lease document for consideration.
37. Discussion and consideration of Certification of Unopposed Candidates and Order Cancelling the Election for Precincts 1, 2, and 3: A motion was made to approve the Certification of Unopposed Candidates and the Order cancelling the election for Precincts 1, 2, and 3, by Wilbert Sauermilch, seconded by Marvin Sager, which carried unanimously.
38. GM Report:
 - a. Update on Water Quality Testing Program: GM reported that applications are continuing to be received. Board members would like to have a grid map of their precincts showing grids without applications.
 - b. Update on Water Level Testing Program: GM reported that monitor well readings are currently being done and should be completed by next board meeting.


Closed Meeting (If necessary) – Executive session was called at 4:20 P.M. by Vice-Chairman Waskow to discuss matters regarding personnel pursuant to V.T.C.A. Government Code 551.074.

39. Closed Meeting (if necessary) – Executive session was called at 4:20 p.m. to consult with Attorney Allison.

40. Return to Open Meeting (If Necessary) – Open Meeting was resumed at 4:40 p.m. GM was asked to do salary and insurance comparisons with the City of Cuero and DeWitt County.

41. Next Scheduled Board Meeting: Next meeting is scheduled for September 9, 2014.

42. Adjournment: The meeting adjourned at 4:45 P.M. with a motion by Tim Pennell, seconded Clem Waskow, which carried unanimously.



Sec/Wilbert Sauermilch

Recorded: Marcia Mann, Admin. Assistant