

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

PUBLIC HEARING AND BOARD MEETING

MINUTES

NOVEMBER 15, 2011 – 2:00 P.M.

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

Board Members Absent: Gil Riedesel, Director (Pct. 4).

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

Guests: Will Bledsoe (Pioneer); Paige Powers and Charles Cole (Petrohawk); Robert Egg; Mr. & Mrs. Louis Boening; Shawn Hildreth and Mike Foster (Rosetta Resources); Al and Joy Janak; William Bergey; Mark Cusack; Stella Victor; and Lew Thompson (Lewton Ranch).

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: Louis Boening expressed opposition to the proposed oilfield waste disposal well near his property. Bill Bergey also voiced opposition to the proposed disposal well as it adjoins his property. He is concerned about the potential for groundwater contamination during periods of water runoff which wash into McCoy Creek and requested assistance from the District in opposing the proposed well by Resolution or letter to the Railroad Commission, prior to the December 7, 2011, hearing date. After discussion, a motion to direct the GM to prepare a letter of protest to the Railroad Commission for Board Chairman's signature was made by Tim Pennell. Motion was seconded by Wilbert Sauermilch, and carried unanimously.
4. Public Hearing – Pioneer Natural Resources – Weldon-Stacey-Blake Orange Gro., Inc.
 - A. Public Hearing on the Drilling and Operating Permit Applications from Pioneer Natural Resources on Weldon-Stacey-Blake Orange Gro., Inc.'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 Smith Ranch Road between Cuero and Yorktown, Texas and involves 249.218 acres: No public comment or objection.
 - B. Discussion and possible action on the Drilling and Operating Permit Applications from Pioneer Natural Resources on Weldon-Stacey-Blake Orange Gro., Inc.'s property. A motion to approve the Drilling Permit and 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.
5. Public Hearing – Pioneer Natural Resources – Betty Ann Seifert
 - A. Public Hearing on the Drilling and Operating Permit Applications from Pioneer Natural Resources on Betty Ann Seifert's property. The proposed permit application is to be used to hydraulic fracture and oilfield location. The Operating Permit Application is requesting 60

AF (acre feet) of water per year. This property is located on Cotton Patch Road near Yorktown, Texas and involves 198.31 acres: No public comment or objection.

- B. Discussion and possible action on the Drilling and Operating Permit Applications from Pioneer Natural Resources on Betty Ann Seifert's Property: GM reported that this permit will be used to fracture 3 locations. 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 Tim Pennell, seconded by Clem Waskow, and carried unanimously.

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

- A. Public Hearing on the Drilling and Operating Permit Applications from Pioneer Natural Resources on Howard & Rosemary McElroy's Property. The proposed permit application is to be used to hydraulic fracture an oilfield location. The Operating Permit Amendment Application is requesting 60 AF (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 the Drilling and Operating Permit Applications from Pioneer Natural Resources on Howard & Rosemary McElroy's property: GM reported that this permit will be used to fracture 3 locations. 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 Tim Pennell, and carried unanimously.

7. Public Hearing – Pioneer Natural Resources – Richard Gohmert

- A. Public Hearing on the Operating Permit Amendment Application from Pioneer Natural Resources on Richard Gohmert'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 (acre feet) of water per year for a total of 40 (acre feet) of water per year. This property is located on FM 953 near Cuero, Texas and involves 127.9 acres: No public comment or objection stated.

- B. Discussion and possible action on the Operating Permit Amendment Application from Pioneer Natural Resources on Richard Gohmert's property: A motion to approve the Operating Permit Amendment Application in the amount of 20 AF (acre feet) of water per year for a total of 40 (acre feet) of water per year was made by Tim Pennell, seconded by Wilbert Sauermilch, and carried unanimously.

8. Public Hearing – Petrohawk Energy – Joel Jackson

- A. Public Hearing on the Operating Permit Application from Petrohawk Energy on Joel Jackson's Property #1. 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 Concrete-Edgar Road near Cuero, Texas and involves 104.38 acres: No public comment or objection stated.

- B. Discussion and possible action on the Operating Permit Application from Petrohawk Energy on Joel Jackson's property #1: A motion to approve the Operating permit in the amount of 20 AF (acre feet) of water per year was made by Tim Pennell, seconded by Wilbert Sauermilch, and carried unanimously.

9. Public Hearing – Petrohawk Energy – Joel Jackson

- A. Public Hearing on the Operating Permit Application from Petrohawk Energy on Joel Jackson's Property #2. 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 from 2 water wells. This property is located on Concrete-Edgar Road near Cuero, Texas and involves 104.38 acres: No public comment or objection stated.
- B. Discussion and consideration on the Operating Permit Application from Petrohawk Energy on Joel Jackson's property #2: 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 2 water wells was made by Clem Waskow, seconded Wilbert Sauermilch, and carried unanimously.

10. Public Hearing – Petrohawk Energy – David Kircher

- A. Public Hearing on the Operating Permit Application from Petrohawk Energy on David Kircher'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 360.02 acres: No public comment or objection stated.
- B. Discussion and consideration on the Operating Permit Application from Petrohawk Energy on David Kircher's property: A motion to approve the Operating permit in the amount of 20 AF (acre feet) of water per year was made by Tim Pennell, seconded by Wilbert Sauermilch, and carried unanimously.

11. Public Hearing – Petrohawk Energy – Billie Hanke

- A. Public Hearing on the Operating Permit Application from Petrohawk Energy on Billie Hanke'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 Hwy 87 South near Westhoff, Texas and involves 107.63 acres: No public comment or objection stated.
- B. Discussion and consideration on the Operating Permit Application from Petrohawk Energy on Billie Hanke'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 Tim Pennell, and carried unanimously.

12. Public Hearing – Petrohawk Energy – Lillian Witte Yancey

- A. Public Hearing on the Operating Permit Application from Petrohawk Energy on Lillian Witte Yancey'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 Yoakum, Texas and involves 304 acres: No public comment or objection stated.
- B. Discussion and consideration on the Operating Permit Application from Petrohawk Energy on Lillian Witte Yancey's property: A motion to approve the Operating permit in the amount of 20 AF (acre feet) of water per year was made by Tim Pennell, seconded by Clem Waskow, and carried unanimously.

13. Public Hearing – Petrohawk Energy – William Cusack, Sr.

- A. Public Hearing on the Operating Permit Application from Petrohawk Energy on William Cusack, Sr.'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 Boldt Road near Westhoff, Texas and involves 782.97 acres: Mark Cusack asked if 20 (acre feet) of water was the usual amount required for a typical frac job. He did not state any objection but was concerned about the quantity of water being used in the hydraulic fracturing operations in this area. He asked if any adverse effects on the water table had been reported and what the District has in place to monitor the usage. Attorney Allison explained the conditions under which permits are issued and the remedies available to the Board, should adverse effects become apparent.
- B. Discussion and consideration on the Operating Permit Application from Petrohawk Energy on William Cusack, Sr.'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 Tim Pennell, seconded by Clem Waskow, and carried unanimously.

14. Public Hearing – Matador Production Co. – Lewton Family Trust

- A. Public Hearing on the Operating Permit Amendment Application from Matador Production Co. on Lewton Family 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 7 AF (acre feet) of water per year for a total of 27 (acre feet) of water per year. This property is located on Herman Rd near Hochheim, Texas and involves 885 acres: No public comment or objection stated.
- B. Discussion and consideration on the Operating Permit Amendment Application from Matador Production Co. on Lewton Family Trust's property: A motion to approve the Operating permit amendment application in the amount of 7 AF (acre feet) of water for a total of 27 AF (acre feet) of water per year was made by Tim Pennell, seconded by Wilbert Sauermilch, and carried unanimously.

15. Public Hearing – James Durham

- A. Public Hearing on the Drilling and Operating Permit Application from James Durham. The proposed permit application is for livestock and domestic use. The Operating Permit Application is requesting 40 AF (acre feet) of water per year. This property is located on Dentler Road near Meyersville, Texas and involves 473.41 acres: No public comment or objection stated.
- B. Discussion and consideration on the Operating Permit Application from James Durham: GM explained that the applicant wants to be able to produce more than 25,000 gpd. A motion to approve the Operating permit application in the amount of 40 AF (acre feet) of water per year was made by Clem Waskow, seconded by Wilbert Sauermilch, and carried unanimously.

16. Public Hearing – Rosetta Resources Operating LP – Mark & Melanie Klotzman

- A. Public Hearing on the Operating Permit Application from Rosetta Resources Operating LP on Mark & Melanie Klotzman's Property. The proposed permit application is to be used to hydraulic fracture an oilfield location. The Operating Permit Application is requesting 189 AF (acre feet) of water per year. This property is located on Schulle Rd near Westhoff, Texas and involves 1,380 acres: No public comment or objection stated.

- B. Discussion and consideration on the Operating Permit Application from Rosetta Resources Operating LP on Mark & Melanie Klotzman's property: Rosetta representative Shawn Hildreth presented a drilling schedule showing 6 wells to be fractured during the year and requested that it be considered Amendment 1 and be added to the Operating Permit Application. Application indicated a pumping capacity of 370 gpm which would exceed 360,000 gpd triggering additional special conditions and the need for additional information before Permit could be approved. Rosetta was asked if they might consider amending their application to request a pumping rate of 245 gpm which would then fall under the threshold of 360,000 gpd. Hildreth agreed to amend Rosetta's application to reduce the pumping rate. A motion to approve the Operating permit in the amount of 189 AF (acre feet) of water per year, to be pumped at a rate of 245 gpm was made by Tim Pennell, seconded by Wilbert Sauermilch, and carried unanimously.

17. Public Hearing – Tax Code Changes

- A. Public Hearing on the Legislative Changes in the Tax Code regarding the taxation of "Goods-In-Transit": Attorney Allison explained the changes made in the last legislative session requiring all taxing entities to adopt a Resolution to continue taxing "Goods-In-Transit". If no action is taken, an automatic tax exemption becomes effective. He recommended that the District approve the proposed Resolution as presented by GM. No public comment or objection stated.
- B. Discussion and consideration on the exemption for "Goods-In-Transit": A motion to approve the Resolution continuing the tax on "Goods-In-Transit" as presented by GM was made by Wilbert Sauermilch, seconded by Clem Waskow, and carried unanimously.

18. Minutes from 10-25-11 and 11-07-11 Meetings (provided prior to meeting): A motion to approve the minutes from the 10-25-11 and 11-07-11 meetings as presented was made by Tim Pennell, seconded by Wilbert Sauermilch, and carried unanimously.

19. Financial Report: A motion to approve the financial reports as presented was made by Wilbert Sauermilch, seconded by Clem Waskow, and carried unanimously.

20. Review Tax Collection Contract with the DeWitt County Tax A/C Office: GM reported that Tax A/C Susie Dreyer will be issuing a refund to all tax payers who overpaid PVGCD taxes due to an error on tax statements issued. It was called to Ms. Dreyer's attention that tax statements showed the same tax rate as last year and did not reflect the lower tax rate approved by the District. GM also reported that Ms. Dreyer will place a notice in area newspapers notifying affected tax payers on the procedure to claim their refunds. No further action is required of PVGCD at this time. After Board review of the current Tax Collection Contract with DeWitt County Tax A/C, no changes were recommended.

21. Discussion and possible action regarding injection wells in DeWitt County: GM distributed a packet of information to Board members on injection wells in general, as well as a list of current injection wells within DeWitt County. As of this date there are 28 injection wells permitted by the Railroad Commission; however, it is unknown how many are currently in operation. A discussion on the possible adverse effects of injection wells was held, with members of the audience participating and voicing their concerns. Consensus was that the District actively oppose any proposed injection wells found to be a potential source of groundwater contamination. Action was taken under Agenda Item #3, that being a motion by Tim Pennell directing the GM to prepare a letter of protest to the

Railroad Commission for Board Chairman's signature. Motion was seconded by Wilbert Sauermilch, and carried unanimously.

22. Review possible purchase of new equipment for pump tests and TDS readings: Purchase of this equipment was suggested by Steve Young of Intera who is currently performing a groundwater study for the District. The equipment would be used to gather additional information related to the effects of hydraulic fracturing activity. A price quotation was given to Board members for consideration. Chairman Knippa suggested exploring other avenues to obtain the data before a decision is made and volunteered to assist GM with the research. No Board action was taken.

23. Discussion and possible action regarding changing the December Board meeting date: Board was asked to check their calendars for possible conflicts on the December meeting date. Three members are available constituting a quorum, so the date was not changed.

24. General Manager Report:

- Copies of the final report from the Coletto Creek Study were given to Board members for their review.
- All requested information has been submitted to the State Auditor's office for the Performance Audit being done for the District. Results will be forthcoming when received.
- Outside Auditing firm of Goldman, Hunt, & Notz has completed the first stage of the annual financial audit. Final report should be ready during the first week of January and will be presented at the regularly scheduled Board meeting.
- GM will be attending the TAGD conference in Austin November 29 and 30.
- Meeting of GMA 15 is being scheduled for December 7 or 8 and GM will attend.

25. 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: An Executive Session was called by Tim Pennell and began at 3:40 P.M. to discuss personnel salary issues.

26. 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: Board returned to Open Meeting at 4:25 P.M. A motion to increase the annual salary of the GM and the hourly rate of the Administrative Assistant retroactive to 10/01/11, and to amend the Personnel Policy to require salary reviews of all employees at 6 month intervals was made by Wilbert Sauermilch, seconded by Tim Pennell, and carried unanimously.

27. Next Scheduled Board Meeting Date: Next meeting is scheduled for December 20, 2011, at 2:00 P.M.

28. Adjournment: Meeting was adjourned at 4:30 p.m. by the Chairman with a motion from Clem Waskow, seconded by Wilbert Sauermilch, and carried unanimously.

W. Sauermilch

Sec/Wilbert Sauermilch

Recorded: Marcia Mann, Admin. Assistant