

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

DECEMBER 18, 2012 – 2:00 P.M.

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

Board Members Absent: Gil Riedesel, Director (Pct. 4), and Darnell Knippa, Chairman (Pct. 2).

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

Guests: Brittney Harryman (Petrohawk/BHP); Robert Egg.

1. Call to Order: The meeting was called to order by the Vice-Chairman at 2:00 P.M.
2. Welcome Guests: Guests were welcomed and thanked for their interest.
3. Public Comment: None at this time.
4. Public Hearing – Petrohawk Energy – Richard Gonzales
 - a. Public Hearing on the Operating Permit Application from Petrohawk Energy on Richard Gonzales's Property. The proposed permit application is to be used to hydraulic fracture an oilfield location. The Operating Permit Application is requesting 40 AF of water per year. This property is located on Hoehne Rd. near Cuero Texas and involves 200 acres: No public comment or objection stated.
 - b. Discussion and consideration of operating permit application from Petrohawk Energy on Richard Gonzales'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 Tim Pennell, and carried unanimously.
5. Public Hearing – Petrohawk Energy – Patsy Warzecha
 - a. Public Hearing on the Operating Permit Application from Petrohawk Energy on Patsy Warzecha's 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 total of 100 AF (acre feet) of water per year from three water wells. This property is located on Schulle Rd. near Westhoff, Texas and involves 311.9 acres: No public comment or objection stated.

- b. Discussion and consideration of operating permit application from Petrohawk Energy on Patsy Warzecha's property: A motion to approve the Operating Permit Application in the amount of 30 AF (acre feet) of water per year for a total of 100 AF (acre feet) of water per year from 3 water wells was made by Tim Pennell, seconded by Wilbert Sauermilch, and carried unanimously.
6. Public Hearing – Petrohawk Energy – Patsy Warzecha
- a. Public Hearing on the Operating Permit Application from Petrohawk Energy on Patsy Warzecha's 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 total of 100 AF of water per year from three water wells. This property is located on Schulle Rd. near Westhoff, Texas and involves 311.9 acres: No public comment or objection stated.
 - b. Discussion and consideration of operating permit application from Petrohawk Energy on Patsy Warzecha's property: A motion to approve the Operating Permit Application in the amount of 30 AF (acre feet) of water per year for a total of 100 AF of water per year from 3 water wells was made by Tim Pennell, seconded by Wilbert Sauermilch, and carried unanimously.
7. Public Hearing – Petrohawk Energy – Sandra Oehlke
- a. Public Hearing on the Operating Permit Application from Petrohawk Energy on Sandra Oehlke's 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 total of 60 AF of water per year from two water wells. This property is located on Kozelski Road near Westhoff, Texas and involves 221.85 acres: No public comment or objection stated.
 - b. Discussion and consideration of operating permit application from Petrohawk Energy on Sandra Oehlke's property: A motion to approve the Operating Application in the amount of 30 AF (acre feet) of water per year for a total of 60 AF of water per year from two water wells was made by Tim Pennell, seconded by Wilbert Sauermilch, and carried unanimously.
8. Public Hearing – Petrohawk Energy – H-E Partners
- a. Public Hearing on the Operating Permit Application from Petrohawk Energy on H-E Partners, Ltd's Property. The proposed permit application is to be used to hydraulic fracture an oilfield location. The Operating Permit Application is requesting 20 AF of water per year for a total of 40 AF of water per year from two water wells. This property is located on Catholic Church Rd. near Westhoff, Texas and involves 128.279 acres: No public comment or objection stated.
 - b. Discussion and consideration of operating permit application from Petrohawk Energy H-E Partners, Ltd's property: A motion to approve the Operating Application in the amount of 20 AF (acre feet) of water per year for a total of 40

AF of water per year from two water wells was made by Tim Pennell, seconded by Wilbert Sauermilch, and carried unanimously.

9. Public Hearing – Petrohawk Energy – H-E Partners

- a. Public Hearing on the Operating Permit Application from Petrohawk Energy on H-E Partners, Ltd's Property. The proposed permit application is to be used to hydraulic fracture an oilfield location. The Operating Permit Application is requesting 20 AF of water per year for a total of 40 AF of water per year from two water wells. This property is located on Catholic Church Rd. near Westhoff, Texas and involves 128.279 acres: No public comment or objection stated.
- b. Discussion and consideration of operating permit application from Petrohawk Energy on H-E Partners, Ltd's property: A motion to approve the Operating Application in the amount of 20 AF (acre feet) of water per year for a total of 40 AF of water per year from two water wells was made by Tim Pennell, seconded by Wilbert Sauermilch, and carried unanimously.

10. Public Hearing – Petrohawk Energy – H-E Partners

- a. Public Hearing on the Operating Permit Application from Petrohawk Energy on H-E Partners, Ltd's Property. The proposed permit application is to be used to hydraulic fracture an oilfield location. The Operating Permit Application is requesting 15 AF of water per year. This property is located on Catholic Church Rd. near Westhoff, Texas and involves 31.2 acres: No public comment or objection stated.
- b. Discussion and consideration of operating permit application from Petrohawk Energy on H-E Partners, Ltd's property: A motion to approve the Operating Permit Application in the amount of 15 AF (acre feet) of water per year was made by Wilbert Sauermilch, seconded by Tim Pennell, and carried unanimously.

11. Public Hearing – Petrohawk Energy – Alice Witte

- a. Public Hearing on the Operating Permit Application from Petrohawk Energy on Alice Witte's Property. The proposed permit application is to be used to hydraulic fracture an oilfield location. The Operating Permit Application is requesting 20 AF of water per year. This property is located on FM 443 near Yoakum, Texas and involves 297.82 acres: No public comment or objection stated.
- b. Discussion and consideration of operating permit application from Petrohawk Energy on Alice Witte'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 Wilbert Sauermilch, and carried unanimously.

12. Public Hearing – Petrohawk Energy – Blake Muir

- a. Public Hearing on the Operating Permit Application from Petrohawk Energy on Blake Muir's Property. The proposed permit application is to be used to hydraulic fracture an oilfield location. The Operating Permit Application is requesting 20 AF of water per year for a total of 46 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 Petrohawk Energy on Blake Muir's property: A motion to approve the Operating Permit Application in the amount of 20 AF (acre feet) of water per year for a total of 46 AF (acre feet) of water per year from two water wells was made by Tim Pennell, seconded by Wilbert Sauermilch, and carried unanimously.

13. Public Hearing – Burlington Resources – John Bowen

- a. Public Hearing on the Operating Permit Amendment Application from Burlington Resources on John Bowen's property. The proposed permit application is to be used to hydraulic fracture an oilfield location. The Operating Permit Amendment Application is requesting 28.5 AF (acre feet) of water per year for a total of 98.5 AF (acre feet) of water per year. This property is located on FM 240 near Westhoff, Texas and involves 197.13 acres: No public comment or objection stated.
- b. Discussion and consideration of operating permit amendment application from Burlington Resources on John Bowen's property: A motion to approve the Operating Permit Amendment Application in the amount of 28.5 AF (acre feet) of water per year for a total of 98.5 AF (acre feet) of water per year was made by Wilbert Sauermilch, seconded by Tim Pennell, and carried unanimously.

14. Public Hearing – Burlington Resources – John Lamb

- a. Public Hearing on the Operating Permit Application from Burlington Resources on John Lamb'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 Hwy 183 N near Cuero, Texas and involves 128.88 acres: No public comment or objection stated.
- b. Discussion and consideration of operating permit application from Burlington Resources on John Lamb'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 Wilbert Sauermilch, and carried unanimously.

15. Public Hearing – Burlington Resources – Turbo Controls Corp.

- a. Public Hearing on the Operating Permit Application from Burlington Resources on Turbo Controls Corp.'s property. The proposed permit application is to be

used to hydraulic fracture an oilfield location. The Operating Permit Application is requesting 40 (acre feet) of water per year. This property is located on Salt Creek Cemetery Road near Yorktown Texas and involves 410.75 acres: No public comment or objection stated.

- b. Discussion and consideration of operating permit application from Burlington Resources on Turbo Controls Corp.'s property: A motion to approve the Operating Permit Application in the amount of 40 (acre feet) of water per year was made by Wilbert Sauermilch, seconded by Tim Pennell, and carried unanimously.

16. Public Hearing – Burlington Resources – Larry Jack Musselman

- a. Public Hearing on the Operating Permit Application from Burlington Resources on Larry Jack Musselman's property. The proposed permit application is to be used to hydraulic fracture an oilfield location. The Operating Permit Application is requesting 80 AF (acre feet) of water per year. This property is located on Hwy 183 N near Westhoff, Texas and involves 614.96 acres: No public comment or objection stated.
- b. Discussion and consideration of operating permit application from Burlington Resources on Larry Jack Musselman's property: A motion to approve the Operating Permit Application in the amount of 80 AF (acre feet) of water per year was made by Tim Pennell, seconded by Wilbert Sauermilch, and carried unanimously.

17. Public Hearing – Burlington Resources – Lynn Nessel

- a. Public Hearing on the Operating Permit Application from Burlington Resources on Lynn Nessel'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 Nessel Road near Westhoff, Texas and involves 64 acres: No public comment or objection stated.
- b. Discussion and consideration of operating permit application from Burlington Resources on Lynn Nessel'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 Wilbert Sauermilch, and carried unanimously.

18. Public Hearing – NFR Energy – Jim Frank Loos

- a. Public Hearing on the Non-Exempt Drilling and Operating Permit Applications from NFR Energy on Jim Frank Loos' property. The proposed permit application is to be used to hydraulic fracture an oilfield location. The Operating Permit Application is requesting 30 AF (acre feet) of water per year. This property is located on Rothkamp Road near Yoakum, Texas and involves 696.76 acres: No public comment or objection stated.

- b. Discussion and consideration of non-exempt drilling operating permit applications from NFR Energy on Jim Frank Loos' property: A motion to approve the Non-Exempt Drilling Permit and to approve the Operating Permit Application in the amount of 30 AF (acre feet) of water per year was made by Tim Pennell, seconded by Wilbert Sauermilch, and carried unanimously.

19. Public Hearing – NFR Energy – Kenneth Gerdes

- a. Public Hearing on the Non-Exempt Drilling and Operating Permit Applications from NFR Energy on Kenneth Gerdes's property. The proposed permit application is to be used to hydraulic fracture an oilfield location. The Operating Permit Application is requesting 28 AF (acre feet) of water per year. This property is located on Gerdes Road near Yoakum, Texas and involves 261.45 acres. No public comment or objection stated.
 - b. Discussion and consideration of non-exempt drilling and operating permit applications from NFR Energy on Kenneth Gerdes's property: A motion to approve the Non-Exempt Drilling Permit and to approve the Operating Permit Application in the amount of 28 AF (acre feet) of water per year was made by Wilbert Sauermilch, seconded by Tim Pennell, and carried unanimously.
20. Minutes from 11-20-12 Meeting (provided prior to meeting): A motion to approve the minutes as presented was made by Wilbert Sauermilch, seconded by Tim Pennell, and carried unanimously.
21. Financial Report: A motion to approve the financial reports as presented was made by Wilbert Sauermilch, seconded by Tim Pennell, and carried unanimously.
22. Annual Retirement Plan Assessment: GM reported on the annual retirement plan assessment which will reduce the percentage deposited by the District to match employee deposits each month from 7.67% to 6.41%.
23. Discussion and consideration of 2013 Holiday Schedule: GM presented the Holiday Schedule adopted by DeWitt County for consideration. A motion to approve the Holiday Schedule as presented was made by Wilbert Sauermilch, seconded by Tim Pennell, and carried unanimously.
24. Discussion and consideration of 2013 Board Meeting Schedule: A motion to approve the Board Meeting Schedule for 2013 as presented was made by Tim Pennell, seconded by Wilbert Sauermilch, and carried unanimously.
25. Discussion and consideration of changes in Personnel Policy: With a motion by Tim Pennell, seconded by Wilbert Sauermilch, full-time staff will now be allowed to carry over up to 50% of the maximum possible vacation time the employee could accrue in the coming year. Motion carried unanimously. For clarification, each employee's anniversary date is used to determine accrual period for vacation time.

26. Discussion and consideration of changes in Investment Policy: Some minor wording changes recommended at the Public Funds Training session have been made to the current policy. A motion to approve the Investment Policy as presented was made by Wilbert Sauermilch, seconded by Tim Pennell, which carried unanimously.
27. Review Internal Control Policy: A motion to make no changes to the current Internal Control Policy was made by Tim Pennell, seconded by Wilbert Sauermilch, which carried unanimously.
28. Review Enforcement Policy: A motion to make no changes to the current Enforcement Policy was made by Tim Pennell, seconded by Wilbert Sauermilch, which carried unanimously.
29. Review Authorized Institutions Policy: A motion to make no changes to the current Authorized Institutions Policy was made by Wilbert Sauermilch, seconded by Tim Pennell, which carried unanimously.
30. Review By-Laws: A motion to make no changes to the current By-Laws was made by Tim Pennell, seconded by Wilbert Sauermilch, which carried unanimously.
31. Review 2013 Fee Schedule: A motion to keep the current Fee Schedule with no changes for 2013 was made by Tim Pennell, seconded by Wilbert Sauermilch, which carried unanimously.
32. Discussion and consideration of new server (computer) for front office: Board authorized the purchase of a new server (computer) per the quotation from Cottage Computers with a motion by Wilbert Sauermilch, seconded by Tim Pennell, which carried unanimously.
33. Discussion and consideration of rules revisions: No action was taken on rules revisions. Attorney Allison suggested the Board wait until after the current legislative session is concluded to do a rules revision.
34. Discussion and consideration of proposal from Intera for aquifer assignment system: Since no changes in the rules will be made right now, there is no need for this program.
35. 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.
36. 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.

37. Next Scheduled Board Meeting Date: Next regular board meeting is scheduled for January 15, 2013, at 2:00 P.M.

38. Adjourn: Meeting was adjourned at 3:35 with a motion by Wilbert Sauermilch, seconded by Tim Pennell, which carried unanimously.



Sec/Wilbert Sauermilch

Recorded: Marcia Mann, Admin. Assistant