

PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT
107 N. GONZALES CUERO, TX 77954
BOARD MEETING
MINUTES
NOVEMBER 19, 2013 – 2:00 P.M.

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

Also in attendance: Charlotte Krause, GM, and Marcia Mann, Admin. Assistant.

Guests: Brittney Schlenker, Beth Reinecke, Mark Suber, & Johnny Hernandez (BHP), Alice Stacy, Gerard Robins, Robert Egg, Keith Schauue, and Jerome Respondek.

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

PUBLIC HEARINGS OPENED AT 2:01 P.M.

4. Public Hearing – Marathon Oil, EF, LLC – Martin Leske
 - a. Public Hearing on the Operating Permit Amendment Application from Marathon Oil EF, LLC on Martin Leske's property: The proposed permit amendment application is to be to hydraulic fracture an oilfield location. The Operating Permit Amendment Application is requesting an additional 47 AF of water per year for a total of 107 AF of water per year. This property is located on Boldt Road near Westhoff, Texas and involves 216 acres. No public comment or objection stated
 - b. Discussion and consideration of operating permit amendment application from Marathon Oil EF, LLC on Martin Leske's property: A motion to approve the Operating Permit Amendment in the amount of 47 AF of water per year for a total of 107 AF of water per year was made by Tim Pennell, seconded by Clem Waskow, which carried unanimously.
5. Public Hearing - Petrohawk Energy – Donald Elder
 - a. Public Hearing on the Operating Permit Amendment Application from Petrohawk Energy on Donald Elder's property (#1): The proposed permit amendment application is to be to hydraulic fracture an oilfield location. The Operating Permit Amendment Application is requesting an additional 25 AF of water per year for a total of 45 AF of water per year from this water well. There are 3 permitted wells on this property for a total of 85 AF of water per year. This property is located on

Elder Road near Westhoff, Texas and involves 656 acres. No public comment or objection stated.

- b. Discussion and consideration of operating permit amendment application from Petrohawk Energy on Donald Elder's property (#1): A motion to approve the Operating Permit Amendment in the amount of an additional 25 AF of water per year, for a total of 45 AF of water per year from this water well, and a total of 85 AF of water per year from 3 permitted wells, was made by Tim Pennell, seconded by Marvin Sager, which carried unanimously.

6. Public Hearing - Petrohawk Energy – Donald Elder

- a. Public Hearing on the Operating Permit Amendment Application from Petrohawk Energy on Donald Elder's property (#2): The proposed permit amendment application is to be to hydraulic fracture an oilfield location. The Operating Permit Amendment Application is requesting an additional 25 AF of water per year for a total of 45 AF of water per year from this water well. There are 3 permitted wells on this property for a total of 110 AF of water per year. This property is located on Elder Road near Westhoff, Texas and involves 656 acres. No public comment or objection stated.
- b. Discussion and consideration of operating permit amendment application from Petrohawk Energy on Donald Elder's property (#2): A motion to approve the Operating Permit Amendment in the amount of an additional 25 AF of water per year for a total of 45 AF of water per year from this water well, and a total of 110 AF of water per year from 3 permitted wells, was made by Tim Pennell, seconded by Clem Waskow, which carried unanimously.

7. Public Hearing - Petrohawk Energy – Donald Elder

- a. Public Hearing on the Operating Permit Amendment Application from Petrohawk Energy on Donald Elder's property (#3): The proposed permit amendment application is to be to hydraulic fracture an oilfield location. The Operating Permit Amendment Application is requesting an additional 25 AF of water per year for a total of 45 AF of water per year from this water well. There are 3 permitted wells on this property for a total of 135 AF of water per year. This property is located on Elder Road near Westhoff, Texas and involves 656 acres. No public comment or objection stated.
- b. Discussion and consideration of operating permit amendment application from Petrohawk Energy on Donald Elder's property (#3): A motion to approve the Operating Permit Amendment in the amount of an additional 25 AF of water per year for a total of 45 AF of water per year from this water well, and a total of 135 AF of water per year from 3 permitted wells, was made by Clem Waskow, seconded by Tim Pennell, which carried unanimously.

8. Public Hearing - Petrohawk Energy – Tam-Warzecha Estate Partnership
 - a. Public Hearing on the Operating Permit Application from Petrohawk Energy on Tam-Warzecha Estate Partnership's property (#1): The proposed permit application is to be to hydraulic fracture an oilfield location. The Operating Permit Application is requesting 20 AF of water per year. This property is located on FM 2656 near Yorktown, Texas and involves 162 acres. No public comment or objection stated.
 - b. Discussion and consideration of operating permit application from Petrohawk Energy on Tam-Warzecha Estate Partnership's property (#1): A motion to approve the Operating Permit in the amount of 20 AF of water per year was made by Marvin Sager, seconded by Wilbert Sauermilch, which carried unanimously.
9. Public Hearing - Petrohawk Energy – Tam-Warzecha Estate Partnership
 - a. Public Hearing on the Operating Permit Application from Petrohawk Energy on Tam-Warzecha Estate Partnership's property (#2): The proposed permit application is to be to hydraulic fracture an oilfield location. The Operating Permit Application is requesting 20 AF of water per year. There are two permitted wells on this property for a total of 40 AF of water per year. This property is located on FM 2656 near Yorktown, Texas and involves 162 acres. No public comment or objection stated.
 - b. Discussion and consideration of operating permit application from Petrohawk Energy on Tam-Warzecha Estate Partnership's property (#2): A motion to approve the Operating Permit in the amount of 20 AF of water per year with a total of 40 AF of water per year from two permitted wells was made by Clem Waskow, seconded by Wilbert Sauermilch, which carried unanimously.
10. Public Hearing - Petrohawk Energy – Eaglehawk Field Services, LLC
 - a. Public Hearing on the Operating Permit Amendment Application from Petrohawk Energy on Eaglehawk Field Services, LLC's property: The proposed permit amendment application is to be to hydraulic fracture an oilfield location. The Operating Permit Amendment Application is requesting an additional 60 AF of water per year for a total of 80 AF of water per year from this water well. This property is located on Oliver Road near Westhoff, Texas and involves 274 acres. No public comment or objection stated.
 - b. Discussion and consideration of operating permit amendment application from Petrohawk Energy on Eaglehawk Field Services, LLC's property: A motion to approve the Operating Permit Amendment in the amount of an additional 60 AF of water per year for a total of 80 AF of water per year from this water well was made by Clem Waskow, seconded by Wilbert Sauermilch, which carried unanimously.

11. Public Hearing - Petrohawk Energy – Jerome Respondek

- a. Public Hearing on the Operating Permit Application from Petrohawk Energy on Jerome Respondek's property: The proposed permit application is to be to hydraulic fracture an oilfield location. The Operating Permit Application is requesting 30 AF of water per year. This property is located on Czaja Brothers Road near Yorktown, Texas and involves 151 acres. Mr. Respondek expressed concern about the water well supplying his home. Petrohawk representatives will discuss his concerns following this meeting. No other public comment or objection stated.
- b. Discussion and consideration of operating permit application from Petrohawk Energy on Jerome Respondek's property: A motion to approve the Operating Permit in the amount of 30 AF of water per year was made by Wilbert Sauermilch, seconded by Clem Waskow, which carried unanimously.

12. Public Hearing - Petrohawk Energy – Sylvia Imhoff

- a. Public Hearing on the Operating Permit Application from Petrohawk Energy on Sylvia Imhoff's property: The proposed permit application is to be to hydraulic fracture an oilfield location. The Operating Permit Application is requesting 30 AF of water per year. This property is located on Lincke Road near Yorktown, Texas and involves 165 acres. No public comment or objection stated.
- b. Discussion and consideration of operating permit application from Petrohawk Energy on Sylvia Imhoff's property: A motion to approve the Operating Permit in the amount of 30 AF of water per year was made by Wilbert Sauermilch, seconded by Tim Pennell, which carried unanimously.

13. 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 to hydraulic fracture an oilfield location. The Operating Permit Application is requesting 40 AF of water per year for a total of 289.89 AF of water per year from 10 water wells. This property is located on FM 766 near Cuero, Texas and involves 1867 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 in the amount of 40 AF of water per year for a total of 289.89 AF of water per year from 10 water wells was made by Tim Pennell, seconded by Clem Waskow, which carried unanimously.

14. Public Hearing - Sabine Oil & Gas – William Blackwell

- a. Public Hearing on the Drilling and Operating Permit Applications from Sabine Oil & Gas on William Blackwell's property: The proposed permit application is to be to hydraulic fracture an oilfield location. The Operating Permit Application is requesting 178 AF of water per year for a total of 253 AF of water per year from 5

water wells. This property is located on State Hwy 72 near Nordheim, Texas and involves 1342 acres. Alice Stacy asked for clarification of the permit terms and how/where the water will be used. GM explained the permitting procedure and where the wells in question are located in relation to Ms. Stacy's property. No other public comment or objection stated.

- b. Discussion and consideration of drilling and operating permit applications from Sabine Oil & Gas on William Blackwell's property: A motion to approve the Drilling Permit and to approve the Operating Permit in the amount of 178 AF of water per year for a total of 253 AF of water per year from 5 water wells was made by Wilbert Sauermilch, seconded by Tim Pennell, which carried unanimously.

15. Public Hearing - Guadalupe Valley Electric Cooperative

- a. Public Hearing on the Drilling and Operating Permit Applications from Guadalupe Valley Electric Cooperative (GVEC): The proposed permit application is for commercial use. The Operating Permit Application is requesting 5.5 AF of water per year. This property is located on Hwy 183N near Cuero, Texas and involves 11.68 acres. No public comment or objection stated.
- b. Discussion and consideration of drilling and operating permit applications from Guadalupe Valley Electric Cooperative: A motion to approve the Drilling Permit and to approve the Operating Permit in the amount of 5.5 AF of water per year was made by Tim Pennell, seconded by Clem Waskow, which carried unanimously.

16. Public Hearing - BHP Billiton Petroleum (Eagleford Gathering), LLC

- a. Public Hearing on the Operating Permit Application from BHP Billiton Petroleum (Eagleford Gathering), LLC: The proposed permit application is for industrial use for office space. The Operating Permit Application is requesting 15 AF of water per year. This property is located on Oliver Road near Westhoff, Texas and involves 272 acres. No public comment or objection stated.
- b. Discussion and consideration of operating permit application from BHP Billiton Petroleum (Eagleford Gathering), LLC: A motion to approve the Operating Permit in the amount of 15 AF of water per year was made by Marvin Sager, seconded by Wilbert Sauermilch, which carried unanimously.

17. Public Hearing – Spacing Variance – John & Kathy Frels

- a. Public Hearing on the Spacing Variance from John & Kathy Frels: The proposed variance is for a water well to be placed closer than the required 50' spacing from the property line. This property is located on Burlington Resources Oak Circle in the Pebble Ridge Subdivision in Cuero, Texas. No public comment or objection stated.

- b. Discussion and consideration of spacing variance from John & Kathy Frels: A motion to approve the Spacing Variance was made by Tim Pennell, seconded by Marvin Sager, which carried unanimously.

PUBLIC HEARINGS CLOSED AT 2:35 P.M.

18. Minutes from 09-17-13 & 10-15-13 Meetings (provided prior to meeting): A motion to approve both sets of minutes as presented was made by Wilbert Sauermilch, seconded by Clem Waskow, which carried unanimously.
19. Financial Reports: A motion to approve the Financial Reports for September as presented was made by Wilbert Sauermilch, seconded by Clem Waskow, which carried unanimously. A motion to approve the Financial Reports for October as presented was made by Wilbert Sauermilch, seconded by Marvin Sager, which carried unanimously.
20. Quarterly Investment Report: A motion to approve the Quarterly Investment Report as presented was made by Wilbert Sauermilch, seconded by Marvin Sager, which carried unanimously.
21. Discussion and consideration of moving uncommitted funds to committed: A motion to move \$400,000 from Uncommitted Funds to Committed Legal Funds was made by Wilbert Sauermilch, seconded by Tim Pennell, which carried unanimously.
22. Discussion and consideration of approving a consultant for the water quality program based on RFQ: After review of the 3 responses received a motion was made to select Daniel B. Stevens by Tim Pennell. Motion was seconded by Wilbert Sauermilch, and carried unanimously.
23. Discussion and consideration of appointing alternate voting delegate to GMA 15 membership: Current Board President was appointed as the alternate voting delegate for GMA 15, replacing Errol John Dietze, with a motion by Tim Pennell, which was seconded by Clem Waskow, and carried unanimously.
24. Discussion and consideration of approving Final 2013 Tax Roll: GM presented final figures from the Tax Assessor/Collector's Office for 2013 Tax Roll. A motion to accept and approve the Final 2013 Tax Roll as presented was made by Marvin Sager, seconded by Wilbert Sauermilch, which carried unanimously.
25. Discussion and consideration of TWDB revisions on draft Management Plan: GM was authorized to submit revised Management Plan for pre-review to TWDB as presented with a motion by Tim Pennell, seconded by Wilbert Sauermilch, which carried unanimously.
26. Discussion regarding board member fees of office: GM requested clarification of the Board's intention for fees of office to be paid to each Board member. A motion by Tim Pennell, seconded by Wilbert Sauermilch, approved the payment of \$200 for attendance at all Board Meetings.

27. 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.
28. 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.
29. Next Scheduled Board Meeting: Next meeting is scheduled for December 17, 2013.
30. Adjournment: The meeting adjourned at 3:00 P.M. with a motion by Tim Pennell, seconded Clem Waskow, which carried unanimously.

Sec/Wilbert Sauermilch

Recorded: Marcia Mann, Admin. Assistant