

PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT
107 N. GONZALES CUERO, TX 77954
BOARD MEETING
MINUTES
JANUARY 21, 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), Marvin Sager, Director (Pct. 4), and Tim Pennell, Director (Pct. 1).

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

Guests: Johnny Hernandez & Chase Simpson (BHP); Michelle Sutherland (Daniel B. Stevens & Associates); Trey Wimberly (Pandora 166); Will Bledsoe (Pioneer); Donald Goldman (Goldman, Hunt & Notz, CPA's); and Robert Egg.

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 – Petrohawk Energy – Linda Kickendahl
 - a. Public Hearing on the Operating Permit Amendment Application from Petrohawk Energy on Linda Kickendahl's property: The proposed permit amendment application is to be to hydraulic fracture an oilfield location. The Operating Permit Amendment Application is requesting 20 AF of water per year for a total of 45.89 AF of water per year. This property is located on Morris Road near Westhoff, Texas and involves 158.16 acres. No public comment or objection stated
 - b. Discussion and consideration of operating permit amendment application from Petrohawk Energy on Linda Kickendahl'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 45.89 AF of water per year, was made by Tim Pennell, seconded by Clem Waskow, which carried unanimously.
5. Public Hearing - Petrohawk Energy – Gary Ckudre, etal
 - a. Public Hearing on the Operating Permit Amendment Application from Petrohawk Energy on Gary Ckudre et al's property: The proposed permit amendment application is to be 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. This property is located on Ckudre Road near Yorktown, Texas and involves 126.36 acres. No public comment or objection stated.

- b. Discussion and consideration of operating permit amendment application from Petrohawk Energy on Gary Ckudre et al'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, was made by Marvin Sager, seconded by Wilbert Sauermilch, which carried unanimously.

PUBLIC HEARINGS CLOSED AT 2:04 P.M.

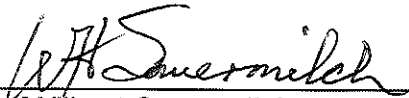
6. Minutes from 12-16-13 Meeting (provided prior to meeting): A motion to approve the minutes as presented was made by Tim Pennell, seconded by Marvin Sager, which carried unanimously.
7. Financial Reports: No action taken. Tabled for discussion at next meeting.
8. Quarterly Investment Report: No action taken. Tabled for discussion at next meeting.
9. Discussion and consideration of annual audit from Goldman, Hunt & Notz, CPA's: Donald Goldman presented a summary of the Annual Financial Audit. He requested copies of the collateralization schedules of district funds deposited at Cuero National Bank. That information is to be included in the final audit offered for approval at the next meeting.
10. Review and discuss water quality testing results in the Cheapside area: Results of water quality testing of the same wells tested 6 months ago show the same two wells with some abnormal results. Test results will be released to landowners with no opinion expressed by the District. Landowners will be referred to the LCRA lab which took all samples and performed testing for any questions.
11. Discussion and consideration of approving Master Service Agreement and Task Order with Daniel B. Stephens & Assoc.: Michelle Sutherland of Daniel B. Stephens & Assoc. presented the proposed Task Order and Service Agreement for the Board's approval. Attorney Allison stated his objections to portions of the Agreement referring to arbitration and indemnification. Ms. Sutherland agreed to submit the suggested changes to her Legal department for review. A motion was made to approve the Master Service Agreement, contingent upon the acceptance of Attorney Allison's changes by Daniel B. Stephens & Assoc., by Tim Pennell. Motion was seconded by Clem Waskow and carried unanimously.
12. Discussion and consideration regarding survey from Intera for the GMA 15 DFC process: Attorney Allison explained the DFC process and the purpose of the survey. Board members completed and approved submission of the survey at the next GMA 15

meeting with a motion by Tim Pennell, seconded by Clem Waskow, which carried unanimously.

13. Discussion and consideration regarding the Water Level monitor program and how water level declines will be considered in DeWitt County and any future changes to the parameters of the program: GM explained that many of the wells currently being measured twice annually are not providing useful data because minimal information is known such as depth, screens, etc. Development of a scientifically based monitoring program would be more beneficial in providing District-wide data to determine accurate water levels for development of the DFC. GM was authorized to develop an RFQ for a consultant to assist with development and implementation of a water level monitoring program with a motion by Tim Pennell, seconded by Clem Waskow, which carried unanimously.
14. Review and approve any changes to Personnel Policy: The only change to the current Personnel Policy is that no Board member can sign his own payroll check. A motion to approve the Personnel Policy as amended was made by Tim Pennell, seconded by Marvin Sager, and carried unanimously.
15. Review and approve any changes to Enforcement Policy: A motion to approve the current Enforcement Policy with no change was made by Tim Pennell, seconded by Marvin Sager, and carried unanimously.
16. Review and approve any changes to Internal Control Policy: Only change to policy is that Payroll checks for Board members must have signed time sheets as backup. A motion to approve Internal Control Policy as amended was made by Tim Pennell, seconded by Wilbert Sauermilch, and carried unanimously.
17. Review and approve any changes to Investment Policy: A motion to approve the current Investment Policy with no change was made by Wilbert Sauermilch, seconded by Marvin Sager, and carried unanimously.
18. Review and approve any changes to Authorized Institutions Policy: A motion to approve the current Authorized Institutions Policy with no change was made by Wilbert Sauermilch, seconded by Tim Pennell, and carried unanimously.
19. Discuss and approve director appointment for Precinct 2: A motion to appoint Darnell Knippa to the Director's position for Precinct 2 until the next election was made by Tim Pennell, seconded by Marvin Sager, and carried unanimously.
20. Discussion and consideration regarding PVGCD officer elections: A motion to keep the same slate of officers currently serving was made by Tim Pennell, seconded by Marvin Sager, and carried unanimously.
21. Discussion and consideration regarding possible enforcement actions on permitted wells: GM reported a landowner with two permitted wells has failed to submit required

quarterly meter readings. Letters according to steps one and two of the Enforcement Policy were mailed with no response from the landowner. Information will be forwarded to Attorney Allison for further enforcement action.

22. Discussion and consideration of office renovations or possible moving of office. GM brought the board up to date on efforts to increase size of the current office meeting room or find another office space available.
23. Discussion and consideration of expenses relating to video conference equipment. GM reported continuing research on video conferencing equipment.
24. 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.
25. 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.
26. Next Scheduled Board Meeting: Next meeting is scheduled for February 18, 2014.
27. Adjournment: The meeting adjourned at 3:50 P.M. with a motion by Tim Pennell, seconded Clem Waskow, which carried unanimously.



Sec/Wilbert Sauermilch

Recorded: Marcia Mann, Admin. Assistant