

Gonzales County Underground Water Conservation District
Minutes of the Board of Directors
July 11, 2017
Board Meeting

Call to Order

The regular meeting of the Board of Directors of the Gonzales County Underground Water Conservation District (the District) was called to order. Present for the meeting were directors: Bruce Tieken, Bruce Patteson, Kermit Thiele and Steve Ehrig. Barry Miller was not in attendance. Also present for the meeting were GCUWCD General Manager Greg Sengelmann, Legal Counsel Greg Ellis, and Administrative Assistant Laura Martin. Other Attendees included: (See Attached List)

Public Comments

Mr. Craig Hines, landowner, Mr. Graham Moore, formerly of Hays Caldwell Public Utility Authority now Alliance Water Authority, Mr. Leon Davis, water well driller, Ms. Sue Ortman, landowner, Mr. Gene Herbold, water well driller, Mr. Charlie Royall, water well driller, and Mr. Jeff Schuehle, Board Member of Guadalupe County Groundwater District made comments. Written comments received and a recording of the meeting are filed at the District office.

Consent Agenda

Approval of minutes of June 13, 2017 Regular Board Meeting.

Approval of the Financial Report.

Approval of the District's bills to be paid.

Approval of the Mitigation Fund bills to be paid.

Approval of District Manager, Administrative Staff, Board Member, Field Technician, and Mitigation Manager Expenses.

Approval of Manager's Report (monthly report, transporter usage, drought index).

Approval of Well Mitigation Manager's Report (well mitigation progress).

Approval of Field Technician's Report (well registrations, water levels, water quality).

The Board of Directors took action on the Consent Agenda including, minutes of the June 13, 2017 Board Meeting, the Financial Report, District Bills to be paid, District Manager, Administrative Staff, Board Member, Field Technician and Mitigation Manager Expenses, and Manager's Reports. Mr. Bruce Patteson made a motion to approve the Consent Agenda with the removal of CD #8011 from the financial report to be addressed later. Mr. Kermit Thiele seconded the motion. The motion passed unanimously.

Discuss and possibly take action on any item removed from Consent Agenda

None.

Discuss and take action on the renewal of CD #8011

The Directors and Ms. Laura Martin then discussed renewal of CD #8011. The CD is up for renewal August 04, 2017. Mr. Thiele made a motion to roll-over CD #8011 at Sage Capital Bank. Mr. Patteson seconded the motion. The motion passed unanimously.

Discuss and possibly take action on re-adoption of the District's financial policy

The District's Financial and Investment Policy was reviewed and discussed with the Investment Officer, Mr. Greg Sengelmann and the members of the board. The Financial and Investment Policy must be reviewed annually and amended or re-adopted. Mr. Patteson made a motion to re-adopt the Financial and Investment Policy of the District. Mr. Thiele seconded the motion. The motion passed unanimously.

Discuss and possibly take action on an industrial well drilling and production permit for Diamond R, LLC

Diamond R, LLC applied to re-equip an existing well for an industrial use on County Road 209 in the Pilgrim area of Gonzales County. The well will produce 375 ac-ft a year at a rate of 500 gpm from the Carrizo Aquifer. The board and general manager discussed that the well is a current water quality well that will be used to sell water as needed. Mr. Patteson made a motion to approve the permit application for Diamond R, LLC. Mr. Steve Ehrig seconded the motion. The motion passed unanimously.

Discuss and possibly take action on an industrial well drilling and production permit for Earthstone Operating, LLC-Davis

Agenda items 8 and 9 were discussed together as they are close in proximity and requested by the same company. Earthstone Operating, LLC-Davis applied to re-work an existing oil & gas well for the purpose of industrial use at 171 ac-ft per year at 648 gpm.

Discuss and take action on an industrial well drilling and production permit for Earthstone Operating, LLC- Pilgrim

Earthstone Operating, LLC-Pilgrim applied to re-work an existing oil & gas well for the purpose of industrial use at 246 ac-ft per year at 550 gpm. Both applications were being protested by Ms. Sue Ortman and Ms. Cathy Sciba, who was not in attendance. Ms. Ortman addressed the board with her comments and concerns about the Earthstone Operating, LLC wells. The artesian well on Ms. Ortman's property was a primary concern and the affects of multiple wells pumping in the area would cause on her well. Ms. Ortman also stated proper notice was not given to her as a landowner. Ms. Ortman understood that they are not eligible for a contested hearing for their protest because of the 500 ac-ft production limitation. Ms. Ortman was reassured, by general manager Mr. Sengelmann, that she would be eligible for mitigation in the future should she need assistance. Mr. Greg Ellis addressed Ms. Ortman's concerns about takings claims, permit application notices, and fair share in accordance with the State of Texas Chapter 36 laws.

Executive session pursuant to § 551.071 Government Code for consultation concerning attorney-client matters

The board went into executive session at 6:22 p.m. The board reconvened at 7:10 p.m. and took up agenda items 8 and 9. Mr. Thiele made a motion to deny the protest presented by Ms. Ortman. Mr. Patteson seconded the motion. The motion passed unanimously. Mr. Patteson made a motion to approve the permit application for Earthstone Operating, LLC- Davis. Mr. Ehrig seconded the motion. The motion passed unanimously. Mr. Patteson made a motion to approve the permit application for Earthstone Operating, LLC- Pilgrim. Mr. Ehrig seconded the motion. The motion passed unanimously.

Discuss and possibly take action on the Alsay Inc., response to the District's enforcement letter

Next, the board, general manager, mitigation manager, and legal counsel discussed the response to the enforcement letter sent to Alsay, Inc. for rig supply wells being drilled for Canyon Regional Water Authority. A copy of the letter is available in the district office. The enforcement action timeframe ended on June 30, 2017. Upon re-inspection some of the listed a had been completed, while other violations still remained. The president of the board proposed setting up a meeting at the well sites with the managers of the district, the water well driller, the representative from Texas Department of Licensing and Regulation (TDLR), and representatives from Canyon Regional Water Authority (CRWA) to discuss the outstanding violations.

Discuss and possible take action on the District's water well driller audit and water well driller inspections

Open discussion for any water well drillers who had received letters of violation was available during this time. Mr. Gene Herbold addressed the board and discussed the letter he received. Mr. Charlie Royall addressed the board and discussed the letter he received. The board and legal counsel reiterated the objective of the recent District Rule Amendments were to first protect the aquifer and second to identify and fix any problems found. Legal counsel then addressed suggested procedural actions for those water well drillers who had received enforcement actions. A recording of the meeting is available in the District office.

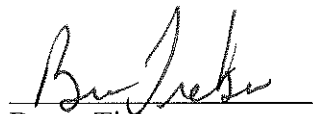
Discussion of other items of interest by the Board and direction to management based on the items set forth above

Mr. Ellis, legal counsel, addressed the board to provide a review of the house bills that were approved and vetoed in the last session.

Adjourn

A motion was made by Mr. Patteson to adjourn the meeting and Mr. Thiele seconded the motion. The motion passed unanimously.

Approved By:

A handwritten signature in cursive script, appearing to read "Bruce Tieken", is written over a horizontal line.

Bruce Tieken

President of the Board of Directors

GCUWCD

August 08, 2017

GS:lm