MINUTES OF THE MAY 22, 2012
BOARD OF DIRECTORS MEETING OF
NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT

The Board of Directors of North Plains Groundwater Conservation District met in regular session May 22, 2012, at 9:30 a.m. in the Board Room of the District office at 603 East First Street in Dumas, Texas 79029. The following persons were present:

Members Present:

Daniel L. Krienke;
Bob Zimmer;
Gene Born;
Wesley Spurlock;
Phil Haaland;
Brian Bezner; and,
Harold Grall.

Staff Present during part or all of the meeting:

Steve Walthour, General Manager;
Dale Hallmark, Assistant General Manager/District Hydrologist;
Kirk Welch, Assistant General Manager;
Mike Pitts, Monitor Well Coordinator;
Pauletta Rhoades, Finance and Administration Coordinator; and,
Kristen Alwan, Executive Assistant.

Others present during part or all of the meeting:

Andy Cristy;
Landy Clifton;
C.C. Sysombath;
Emmett Autrey;
Sabrina Leven;
Leon New;
Shasta Dickey;
F. Keith Good, Attorney;
Claire Y. Walsh, Attorney; and
Ellen Orr, Paralegal.

President Zimmer declared a quorum present and called the meeting to order at 9:35 a.m.

Keith Good gave the invocation and President Zimmer led the pledge.

Keith Good reported to the Board that he had been contacted by Jill Watson in regard to Show Cause Hearing number 012-002 and that the Watsons had a conflict and would not be able to attend the hearing scheduled for today. The General Manager of the District recommended that Show Cause Hearing number 012-002 be continued until the next regularly scheduled Board Meeting. Gene Born moved that the Board continue Show Cause Hearing number 012-002 until the next regular meeting of the Board of Directors. Danny Krienke seconded the motion and it was unanimously approved by the Board.

President Zimmer asked if there were persons present who desired to make Public Comment. Steve Walthour introduced Paul Sigle, who is working with Dr. Leon New. Gene Born, Bob Zimmer, and Phil Haaland commended the Ag Committee of the Board for its accomplishments and for the District being honored with the Texas Environmental Excellence Award and for Resolutions from Senator Fraser, House Committee on

Environmental Regulations, Chairman Smith, and House Representative Four Price regarding the District's conservations efforts in agriculture.

Wesley Spurlock moved to approve items 2a through 2d of the Consent Agenda, consisting of the approval of the Minutes of the April 10, 2012, Board of Directors Meeting and the Certified Agenda for the April 10, 2012, Board of Directors Executive Session; the approval of un-audited District expenditures from April 1, 2012, through April 30, 2012, including the General Manager's Expense and Activity Report; the approval of payment of professional services and out of pocket expenses to Lemon, Shearer, Phillips & Good, P.C. in the amount of $8,300.18 for April 1, 2012, through April 30, 2012; the approval of Moore County Appraisal District and Hansford County Appraisal District collection contracts for fiscal year 2011-2012; the approval of the Lipscomb County Tax Assessor-Collector "Order Allowing Discounts" for persons paying taxes due on or before the end of January, 2013; and approval of the 2011-2012 Budget for Sherman County Appraisal District. Phil Haaland seconded the motion and it was unanimously approved by the Board.

Brian Bezner moved to table item 3a until the next meeting of the Board. Wesley Spurlock seconded the motion and it was unanimously approved by the Board.

The General Manager reported that the District is checking and entering the 2592 production reports that the District mailed to producers in December. The District has processed 1810 production reports through May 14th. Laura has been working hard to get all of the reports checked and entered by the middle of May. On May 9th the District sent notices to owners or their authorized agents of 73 properties that appear to have exceeded their annual authorized withdrawal amount and their available conservation reserve. These properties represent approximately four percent of the total properties processed so far. The notices advised the property owners that the District's Board has set a fee for any groundwater producer exceeding the 2011 annual production limit for the first time on a property of $25 for each acre-foot over the production limit, and additional fees for properties that exceed the production limit more than once. Also the producer is required to install flow meters to measure total production on the property if flow meters are not already in place, and provide the District a management plan to achieve the District's production limitations.

In the event that the property owner could have pooled their property per guidelines set by District Rule 17 (Pooling) to avoid fees set by the Board, they are allowed to pool their property by July 1, for 2011 and sign a settlement in which they agree to have any future pooling completed by August 1st for a current year and pool any property acquired after August 1st within 30 days of the acquisition or December 31st, whichever is earliest. Otherwise, the property owners were asked to please pay the fee set per invoice enclosed in the notice no later than August 1, 2012 and install District approved flow meters at all wells or central collection points if not already installed. If property owner believes that the attached report is in error or the property owner wishes to examine the possibility of pooling properties to avoid the fees they are asked to contact the District no later than July 1, 2012. District staff anticipates having all reports completely processed and entered by mid-May to the end of May.

The General Manager presented the following report to the Board:

North Plains GCD Historic Production

COUNTY	2007	2006	2008	2009	2010	2011 (Estimated)
HANSFORD	106,475	110,202	142,694	152,686	129,518	234,872
OCHILTREE	53,685	66,782	75,527	65,840	60,501	112,202
SHERMAN	220,053	208,405	275,128	282,388	237,764	402,743
HARTLEY	312,449	286,162	364,560	385,820	341,228	480,137
MOORE	148,031	149,091	191,409	200,108	163,306	263,195
DALLAM	269,635	264,930	313,993	317,093	288,019	369,612

HUTCHINSON	34,617	36,701	52,404	53,414	40,322	70,543
LIPSCOMB	32,710	28,927	30,832	30,847	30,469	55,137
Total	**1,177,655**	**1,151,200**	**1,446,547**	**1,488,195**	**1,291,127**	**1,988,440**

North Plain GCD Production Compared to TWDB GAM Run 09-001

COUNTY	2011 (Estimated)	MAG 2011	2011 Production Above MAG	2011 Percent of MAG	Average Production for 2010 & 2011	Average Production Above MAG	Average Percent of MAG
HANSFORD	234,872	268,381	(33,509)	87.51%	182,195	(86,186)	67.89%
OCHILTREE	112,202	254,789	(142,587)	44.04%	86,351	(168,438)	33.89%
SHERMAN	402,743	261,845	140,898	153.81%	320,253	58,408	122.31%
HARTLEY	480,137	356,460	123,677	134.70%	410,682	54,222	115.21%
MOORE	263,195	199,907	63,288	131.66%	213,251	13,344	106.67%
DALLAM	369,612	335,522	34,090	110.16%	328,815	(6,707)	98.00%
HUTCHINSON	70,543	53,770	16,773	131.19%	55,432	1,662	103.09%
LIPSCOMB	55,137	244,179	(189,042)	22.58%	42,803	(201,376)	17.53%
Total	**1,988,440**	**1,974,853**	**13,587**	**100.69%**	**1,639,783**	**(335,070)**	**83.03%**

Steve Walthour reported that April 18th marked the ten-year anniversary that Mike Pitts has worked for the District. Mike began his career with the District as a Field Technician in 2002, and today he is the District's Monitor Well Coordinator. In addition to coordinating the construction, maintenance, and data collection from the District's monitor well network, he performs water level measurements, flow testing, well site investigations and assists with the District's educational programs. Mike is a valued member of the District Staff. The District not only recognized him for his ten years but also for his important contribution to achieving the District's mission, "Maintaining our way of life through conservation, protection, and preservation of our groundwater resources."

The following Schedule of Well Permits was presented to the Board for its review. Wesley Spurlock moved to approve all of the following permits as active and complete wells because the wells are properly equipped and otherwise comply with District Rules:

COUNTY	OWNER	WELL	CL	MAX	QTR	SEC	BLK	SUR	YARDS N S	YARDS E W
DALLAM	BEZNER CATTLE & GRAIN	DA-4742	C	800	SE	14	4	CSS	872S	561E
DALLAM	BEZZNER CATTLE & GRAIN	DA-4743	C	800	NW	36	4	CSS	600N	115W
HARTLEY	COVER FARMS	HA-2571	C	800	NE	60	21	CSS	101N	231E
HARTLEY	FOUR STAR MIDDLEWATER	HA-4043	C	800	NW	28	12	CSS	458N	453W
HARTLEY	DON OPPLIGER FARMS	HA-4378	C	800	NE	3	12	CSS	529N	235E
HARTLEY	DON OPPLIGER FARMS	HA-4381	C	800	SE	3	12	CSS	332S	451E
HARTLEY	DON OPPLIGER FARMS	HA-4387	C	800	SW	14	12	CSS	794S	718W
HARTLEY	DON OPPLIGER FARMS	HA-4395	C	800	SW	14	12	CSS	468S	26W
HARTLEY	DON OPPLIGER FARMS	HA-4524	C	800	SE	14	12	CSS	22S	879E
HARTLEY	DON OPPLIGER FARMS	HA-4653	C	800	SE	12	12	CSS	106S	552E
HARTLEY	DON OPPLIGER FARMS	HA-4671	C	800	NW	14	12	CSS	610N	252W
HANSFORD	FARNSWORTH FARMS	HN-4539	D	1200	SE	60	4-T	T&NO	189S	146E
HANSFORD	NICK HOLT ESTATE	HN-4731	D	1200	NE	67	2	GH&H	25N	980E
HUTCHINSON	DON L SCHRAYER	HU-4486	D	1200	NE	1	R-2	D&P RR	117N	769E
HUTCHINSON	MICHAEL MCCLOY	HU-4668	D	1200	SW	2	0	M ANGLIN	59S	361W
HUTCHINSON	MCLEOD FARMS INC	HU-4706	C	800	NW	37	5-T	T&NO	109N	257W
MOORE	DARREN STALLWITZ	MO-2411	C	800	NW	204	44	H&TC	95N	722W
MOORE	HARRIS FARMS INC	MO-3505	D	1200	SW	8	M-2	GOBER	41S	668W
MOORE	FARIA DAIRY	MO-4739	C	800	NW	8	Q	H&GN	45N	216W
MOORE	FARIA DAIRY	MO-4741	C	800	SE	15	Q	H&GN	779S	737E

MOORE	REZNIK & SONS INC	MO-4774	B	400	NE	351	44	H&TC	475N	215E
MOORE	FARIA DAIRY	MO-4793	C	800	SE	7	Q	H&GN	629S	31E
MOORE	LARRY SCHNIEDERJAN	MO-4824	B	400	SW	6	M-2	GOBER	448S	133W
OCHILTREE	JEFF LEICHT	OC-1357	D	1200	NE	15	R	B&B	377N	24E
OCHILTREE	DON PSHIGODA	OC-4153	C	800	SE	1007	43	H&TC	627S	575E
SHERMAN	JON ENGELBRECHT	SH-3832	C	800	SW	108	1-T	T&NO	759S	759W
SHERMAN	RONALD ENGLEBRECT	SH-3833	B	400	NW	103	1-T	T&NO	537N	15W
SHERMAN	ROBERT C FERGUSON	SH-4775	C	800	NE	92	1-C	GH&H	141N	768E

Brian Bezner seconded the motion and it was unanimously approved by the Board.

On January 27, 2010, the district entered into a two-year monitor well contract agreement with Les Taylor Drilling, LLC. Ray Teeter, the licensed driller that constructed the monitor wells, was employed by and part owner of Les Taylor Drilling, LLC. The company was owned by three equal partners, Ray Teeter, Randy Taylor, and Les Taylor. Ray Teeter purchased the company from Les Taylor and Randy Taylor on March 29, 2010. Mr. Teeter retained the right to operate under Les Taylor Drilling, LLC until October 1, 2010, but chose to change the company name to 3-T Drilling, Inc. Mr. Teeter purchased the other owner's individual shares and all the employees were retained. 3-T Drilling, Inc. gained all of Les Taylor Drilling, LLC assets, liabilities and obligations. Since the consolidation of ownership of the corporate shares to a sole individual and company name change, 3-T Drilling, Inc. has drilled wells for the District under the contract with Les Taylor Drilling, LLC. The quality of the work remains more than satisfactory.

During the Spring of 2012 the District requested monitor well bids and notice was published in public newspapers of general circulation. 3-T Drilling, Inc. (Ray Teeter) submitted the only bid and staff believes the bid is reasonable. The general manager requests the board approve to continue to use 3-T Drilling, Inc. and to enter into a contract to construct monitor wells that will be valid May 1, 2012 through termination of the contract May 1, 2014.

Danny Krienke moved that the board approve to continue to use 3-T Drilling, Inc. and to enter into a contract to construct monitor wells that will be valid May 1, 2012 through termination of the contract May 1, 2014. Gene Born seconded the motion and it was unanimously approved by the Board.

Dr. Leon New and General Manager Walthour reported to the Board that the District's 200-12 Project is in full motion. Since March, the staff has installed pre-season gypsum blocks to observe soil moisture conditions before planting. Irrigation application goals may be adjusted based on preseason moisture. As of May 15th, the program has implemented the following:

- District staff has collected data since March;
- The District and cooperators have installed meters and Pivotrac monitors where appropriate;
- Crop Metrics has dragged the fields for soil condition mapping and selecting VRI subscriptions for some fields;
- Aquaspy Probes are ordered and the locations are being flagged;
- Better Harvest has completed its preliminary work for nutrient monitoring;
- Five cooperators have planted already the rest will be planting next couple of weeks;
- About to order IPADs for cooperators; and
- Intern Paul Sigle is scheduled to start on May 21. Paul Sigle will work directly with Leon New and Randy Coon regarding farm systems and monitoring systems data collection, compilation and reporting. Paul is a

Biological and Agricultural Engineering Major at Texas A&M. He plans to graduate in December 2012.

The southern portion of the Initiative reports that their activities included; identifying participating producers, determination of equipment to be installed for each site, and meeting with the producers for education and training relative to the tools and technologies to be used.

A total of five producers have signed contracts to participate in the project with five pivot sites and three subsurface drip sites. Two producers have both pivot and sub-surface drip sites that will be included in the project. Total acres for the sites are 610 under pivot and 157 sub-surface drip.

An assessment of needed monitoring equipment has been made for each site. Providers of equipment are McCrometer® and PivoTrac® for irrigation monitoring; AquaSpy® and John Deere Water® for soil moisture monitoring probes; and Crop Metrics® for EM mapping. Bids have been received and equipment ordered. Installation will be completed as soon as the equipment has been received.

The General Manager stated that District staff has filed for reimbursement from the Texas Water Development Board and United States Department of Agriculture. The primary expenses will be submitted for the next quarter.

In February, the District amended its Groundwater Conservation Reserve Rules. The Rules read as follows:

"An Owner may accumulate a Groundwater Conservation Reserve ("Reserve") by reserving all, or a portion of, the current year's (Reserve Year) Allowable Annual Production on a Property. Thereafter, the Owner may apply the Property's Reserve, not to exceed 0.50 acre-feet per acre per Year, to increase the Property's Allowable Annual Production. If the Reserve is not utilized within the five-year period following the Reserve Year, any accumulated Reserve terminates for the Reserve Year. The Reserve may only be used on the Property on which the Allowable Annual Production was reserved. The Property must be developed for a beneficial use for a calendar year before it is eligible for the Conservation Reserve. If a Property is developed for Groundwater production on or before January 1 of a calendar year, the Property shall be eligible for the Reserve for that calendar year. An Owner may not draw from a future year's Allowable Annual Production to increase the current year's Allowable Annual Production. The Reserve shall only be available to an Owner if Annual Production Reports for the Property have been timely filed. Any Reserve may only be applied after the Property's Allowable Annual Production for the current year has been depleted. The Reserve shall automatically terminate as to any portion of the Property sold to a third party. Property passing by gift or inheritance shall not be considered as being "Property sold to a third party."

The general manager has applied the rule so that the conservation reserve is lost when a property is pooled because it becomes a new property and therefore the conservation reserve terminates along with the original property. The primary concern with carrying over conservation reserve from one property to another new property is the water accounting problems that occur to track the reserve and the requests for pooling to apply retroactively. If the Owner of the property could pool active properties on or before August 1st of the year they plan to report their water use for the new property, the staff can calculate the reserve for the new pooled unit especially for those properties that both were active before the pooling. The purpose of the discussion is to further clarify how we interpret the District's rules.

The General Manager believes that where two or more producing properties that have conservation reserve can be pooled, the pooled unit should carry the reserve forward if the pooling occurs timely enough for staff to accurately calculate the reserve.

Danny Krienke moved to find a way to permit Property Owners to use Conservation Reserve when re-pooling. Harold Grall seconded the motion and it was unanimously approved by the Board.

The General Manager reported that in April, the Executive Director of the Texas Commission on Environmental Quality (TCEQ) prepared and filed a report with the Chief Clerk of TCEQ recommending that the three areas of the Dallam County PGMA not currently in a GCD be added to the North Plains Groundwater Conservation District. A notice of public meeting will be mailed at a later date. If TCEQ does recommend the District annex the area, the District's board will need to vote affirmatively to take the areas. After the areas are annex, the District will perform a survey of wells and provide a public information campaign on the management plan, rules, functions and mission of the District. This item is placed on the agenda for board discussion. General Counsel and the General Manager will be prepared to discuss this matter at the meeting. A copy of the report and recommendation was presented to the Board. Danny Krienke moved to authorize General Counsel and Management to work with the Texas Commission on Environmental Quality regarding the Dallam County GPMAs. Gene Born seconded the motion and it was unanimously approved by the Board.

The General Manager reported on compliance matters. Mr. Walthour stated that the District sent settlement letters with invoices to fifty-three well owners for seventy-four properties. These well owners potentially over-produced on their properties according to their 2011 annual production reports. The invoices assessed the over-production fee authorized by the Board and included requirements for installation of a District approved flow meter on all properties over produced, as well as a water management plan submitted to the District. Producers are still responding to late filing letters sent with six out of fourteen paid invoices.

Brian Bezner moved to issue a Show Cause Order to Clarence T. Yanke for failure to timely report groundwater production to the District for Section 8, Block 1, BBB&C Survey, Hutchinson County, Texas for the next regular meeting of the Board. Phil Haaland seconded the motion and it was unanimously approved by the Board.

Brian Bezner moved that the Board authorize the District to manage the GMDA funds and accounts in the same manner that the District administered the funds from the old Dallam County Underground Water District for two years. Gene Born seconded the motion and it was unanimously approved by the Board.

The Board recessed at 10:56 a.m. and reconvened at 11:00 a.m.

General Counsel for the District canvassed the Director Election in Precinct 7, Lipscomb County. Mr. Good stated:

Total number of Early Votes Received:	247
Total number of Election Day Votes:	169
Total Cast:	416

Number of Votes for Gene Born:	334
Number of Votes for Don Kerns:	82
Total:	416

Brenda McKanna, Moore County Clerk, administered the Oath of Office to: Director of Precinct 5, Hansford/Hutchinson Counties, Texas, Bob B. Zimmer; Director of Precinct

6, Ochiltree County, Texas, Daniel L. Krienke; and Director of Precinct 7, Lipscomb County, Texas, Gene Born.

Management reported that Governor Rick Perry and the Texas Commission on Environmental Quality (TCEQ) presented the Texas Environmental Excellence Award (TEEA) for agriculture to the District on May 2, 2012. The mission of the TEEA program is to honor the state's most outstanding waste reduction and pollution prevention projects. These award-winning programs reflect the goals of the TCEQ itself: to protect our state's human and natural resources and ensure clean air, clean water, and the safe management of waste. The award recognizes the District's leadership in agricultural water conservation through its "Reduced Irrigation on Corn Demonstration Project," also known as the "200-12 Project." Governor Perry received Phil Haaland and Danny Krienke at the capitol during the day and Board Vice President Gene Born and director Krienke accepted the award on stage the night of the awards banquet.

Each year, the TEEA honors the state's most outstanding waste reduction and pollution prevention projects. TEEA began in 1993 and is presented in up to nine diverse categories, ranging from youth projects to agriculture. According the official TEEA website, "By honoring the winners, the TCEQ hopes to encourage other citizens to initiate like-minded projects and reinforce a spirit of environmental stewardship."

Representatives from the District received the award along with other TEEA recipients during a banquet in Austin on May 2nd. The awards banquet was part of the TCEQ Environmental Trade Fair and Conference.

In addition to the TEEA, the District received separate resolutions recognizing its work from Chairman Wayne Smith of the House Committee on Environmental Regulations and Representative Four Price; and a Senate Proclamation No. 504. Representative Price sent a cover letter expressing his thanks for the District's dedication to public service, and he expressed his gratitude for a job well done.

In April, the District was notified by Texas AgriLife personnel that a well they measured during a pumping plant efficiency test showed a water level measurement with an e-line that was 179.9' below land surface in April. The same had been measured by the District in February with a steel tape at 211.12 feet below land surface. The District's Assistant General Manager, a Hydrologist, and the General Manager, a Hydrogeologist, investigated the discrepancy in the two measurements by reviewing the historical data from the well, the method personnel measuring the well used to obtain the measurement, direct measurements of the well during the investigation and measuring wells in the area. Based on the investigation, Management found that the most of wells measured in the area measured during the investigation were consistent with measurements earlier this year. However, occasionally a physical condition in the well can increase the likelihood of an invalid measurement. In these problematic wells, District staff needs to consistently determine whether and how to measure the well, whether to use an e-line, steel tape or other device, consistently grading the measurement, and recognizing down hole conditions that may provide an inaccurate measurement. Based on the field investigation, the General Manager and the District's Hydrologist agree that the field methods used by District personnel can be improved.

District director policies and employee policies were discussed by the Board.

Brian Bezner moved to go into Executive Session in compliance with the Texas Open Meetings Act, Chapter 551 of the Texas Government Code, §551.074 to deliberate the purchase, exchange, lease or value of real property with a third party and under Texas Government Code §551.071 to obtain legal advice from its attorney regarding the May 12, 2012 directorate election. Phil Haaland seconded the motion and it was unanimously approved by the Board.

Executive Session: At 11:52 a.m., the Board went into Executive Session to deliberate the purchase, exchange, lease or value of real property with a third party and to obtain legal advice from its attorney regarding the May 12, 2012 directorate election. At 1:03 p.m., Director Brian Bezner moved that the Board reconvene into regular session. Harold Grall seconded the motion and it was unanimously approved by the Board.

At 1:03 p.m. the Board reconvened into regular session.

Wesley Spurlock moved to authorize the Executive Committee and Building Committee to continue to work with management to obtain office space for the District. Danny Krienke seconded the motion and it was unanimously approved by the Board.

Steve Walthour presented the General Manager's Report, including information concerning upcoming meetings and conferences; the General Manager's activity summary; and the District activity summary.

By consensus, the Board set its next regular Board meeting for June 19, 2012 at 9:00 a.m. in the District office.

District Directors reported to the Board regarding meetings and/or seminars attended, weather conditions, and economic development in each Director's precinct.

Gene Born moved to elect Bob B. Zimmer as Secretary to the Board. Wesley Spurlock seconded the motion and it was unanimously approved.

President Born appointed the following committees:

Budget/Finance Committee
Brian Bezner
Harold Grall
Wesley Spurlock

Property Committee
Bob B. Zimmer
Phil Haaland
Danny Krienke

Ag Committee
Danny Krienke
Harold Grall
Phil Haaland

GMA Representative
Bob B. Zimmer

Phil Haaland moved to adjourn the meeting. Bob Zimmer seconded the motion and it was unanimously approved by the Board. President Born declared the meeting adjourned at 1:23 p.m.

Gene Born, President

Bob B. Zimmer, Secretary

CERTIFIED AGENDA OF
NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
BOARD OF DIRECTORS' EXECUTIVE SESSION

Under penalty of perjury, the undersigned presiding officer certifies the following facts are true and correct and the following topics, and none other, were deliberated, discussed or reviewed in an Executive Session of the North Plains Groundwater Conservation District Directors which was convened on May 22, 2012:

Persons Present:

Bob Zimmer, President
Brian Bezner, Secretary
Gene Born, Director
Danny Krienke, Director
Phil Haaland, Director
Wesley Spurlock, Director
Harold Grall, Director
Steven D. Walthour, General Manager of the District
Kirk Welch, Assistant General Manager of the District
F. Keith Good, Attorney
Claire Y. Walsh, Attorney
Ellen Orr, Paralegal

Beginning Time: 11:52 a.m.

Ending Time: 1.03 p.m.

Topics Deliberated and Applicable Exception to the Texas Open Meetings Act:

1. Deliberation by the Board regarding the purchase, exchange, lease, or value of real property, because deliberation in an open meeting would have a detrimental effect on the position of the District in negotiations with a third person.

   Exempt from the Open Meetings Act pursuant to Texas Government Code Section 551.074.

Bob B Zimmer

Bob B. Zimmer, Presiding Officer