MINUTES OF THE OCTOBER 16, 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 October 16, 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:

Gene Born, President
Daniel L. Krienke, Director
Bob Zimmer, Secretary
Phil Haaland, Director
Brian Bezner, Vice President; and,
Wesley Spurlock, Director

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/District Outreach;
Kristen Alwan, Executive Assistant;
Pauletta Rhoades, Finance and Administration Coordinator; and,
Laura West, Natural Resource Specialist.

Others present during part or all of the meeting:

Herman Berngen;
Dana Porter;
Sabrina Leven;
Nicholas Kenny;
Amy Haschke;
Jason Scheibel;
Ben Weinheimer;
Emmett Autrey;
C. C. Sysmobath;
Thomas Marek; and,
Claire Yauck Walsh.

President Born declared a quorum present and called the meeting to order at 9:05 a.m.

Wesley Spurlock gave the invocation and led the pledge.

President Born asked if there were persons present who desired to make public comment. No public comment was made.

Wesley Spurlock moved to approve items 2a through 2b of the Consent Agenda, consisting of the approval of the Minutes of the September 18, 2012 Board of Directors Meeting; the approval of the Certified Agenda for the Executive Session held on September 18, 2012; the minutes from the September 4, 2012; September 5, 2012; September 6, 2012; and September 27, 2012 Stakeholders' meetings; and, the approval of payment of professional services and out-of-pocket expenses to Lemon, Shearer, Phillips & Good, P.C. in the amount of $11,513.52 for September 1, 2012, through September 30, 2012. Phil Haaland seconded the motion and it was unanimously approved by the Board.

Wesley Spurlock moved that the Board approve the un-audited District expenses presented to the Board from September 1, 2012 through September 30, 2012, including the General Manager's Expense and Activity Report. Brian Bezner seconded the motion and it was unanimously approved by the Board.

The General Manager reported on the District's stakeholder meetings in Texline on September 4th and 26th, and in Dalhart on September 5th and 27th regarding the implementation of the District's conservation programs and rules in the areas newly ordered into the District by TCEQ. The general manager and the executive staff presented the District's rules and conservation programs to each of the groups. A copy of the presentation presented at the stakeholder meetings was presented to the Board.

Mr. Walthour reported that during the first set of meetings in Texline and Dalhart, stakeholders provided input and asked questions regarding the District's Conservation Reserve Program, the 1600 acre pooling limitations, well density, and production limitations. The general manager stated that in Dalhart, the discussion was focused primarily on the 1600 acre pooling limit and the constitutionality of the statute, which permitted the TCEQ to order the PGMA into the District and whether or not the District could charge a production fee in an area that elected not to pay a share of the taxes.

The General Manager reported to the Board that during the second set of meetings in Texline and Dalhart, stakeholders refrained from asking questions in the formal sessions, however asked questions directly to individual staff members afterward. One stakeholder in Dalhart suggested that the District might implement a program to retire groundwater rights similar to a USDA CRP.

The General Manager informed the Board that the staff and general counsel have been working with the Dallam County Clerk to hold the tax election during the November 6th general election.

Mr. Walthour stated that on November 9, 2010, the Board approved the attached North Plains Groundwater Conservation District Metering and Production Manual, a guidance document, as amended effective January 1, 2011, including a date of December 31, 2012 for phasing out certain alternative metering methods.

Confined Animal Feeding Operations

One of the alternative metering methods approved by the District to be discontinued on December 31, 2012, is for Concentrated Animal Feeding Operations (CAFOs), which allows for an estimation of annual water demand using the average monthly inventory of livestock maintained at the operation multiplied by published values of water use in gallons per head per day.

The key input to this calculation is the monthly average inventory of livestock maintained at the operation. All livestock operations are required to keep an accurate inventory of livestock to fulfill the requirements of the feedyard company, cattle feeding customers, lending/financing institutions, animal health regulatory agencies, feedyard auditors, bank auditors and other entities. The daily inventory of livestock is tracked using third-party computer data management systems, which record the number of livestock in home pens, hospitals, buller pens, number of mortalities and total inventory of livestock at the operation.

Based on a comparison of two example feedyards in the District by Texas Cattle Feeder Association staff, a feedyard in the west part of the District reported a metered water use of 906 acre-feet in 2011, and the CAFO head count alternative reporting method would have reported 1,096 acre-feet ("over-reported" by 190 acre-feet). Likewise, a feedyard in the east part of the District reported a metered water use of 1,194 acre-feet in 2010, and the CAFO head count alternative reporting method would have reported 1,265 acre-feet ("over-reported" by 71 acre-feet). Additionally, if there is a question regarding the accuracy of the monthly average head count, the district could require the daily head count totals upon request. Based on the analysis, the General Manager believes that the CAFO method is as accurate the other alternative metering methods and leads to

reporting more actual water production than does the other alternative methods. Ben Weinheimer from the TCFA was present to respond to Board questions.

The General Manager recommended that the Board allow CAFOs to continue to use the method with the requirement that daily head counts for any month or months be furnished upon request until such time the District chooses to phase-out all of the alternative reporting methods.

Flow Meter Location

After review of the Board minutes since November 2010, the Board has often discussed, but has not formally acted upon those discussions to amend the metering manual except in February 2011. An excerpt from the February 2011 minutes state *"It was the Board's consensus that the District should require that a District-approved flow meter be installed at each Well on multiple well properties, which will be pooled throughout District boundaries."* The consensus statement in the minutes seems to apply to properties that will be pooled and not currently pooled and regardless of whether the property contained a new wells or existing wells each well must be metered if pooled. Specific members of the Board have opined to District staff regarding the mandated location of the metering device. Chapter 4 (Mechanical and Electronic Water Meters) from the meter manual directs:

"All water meters must be types that are approved by the District. In the instance where the District requires installation of water meter devices on specific wells, the water meter shall be installed as close to the well as practical and reasonable and installed in such a manner that the entire flow and volume of water produced from the well is accurately measured and recorded.

.....If a well owner constructs and adds a new well or reactivates an unused well in a multiple well system that uses common production piping, then the well owner must install water meter devices to measure all of the groundwater production for the multiple well system."

If the owner wishes to install just one meter then the only place to add the meter that is practicable and reasonable is at the pivot or central collection point where flow from both the system and the well.

District Rule 3.2 requires that all owners of wells drilled after October 14, 2003 shall install a District approved flow meter on the new well, or at a central collection point on a closed system (an Alternative Metering System is not acceptable for Wells drilled after October 14, 2003). District Rule 3.5C states that the metering system shall remain on the well, or on a central collection point, and be in proper operating condition at all times when water is being produced. District Rule 1.13 defines a Central Collection Point as a structure or connection manifold on the property such as a center pivot irrigation system or a water storage structure. The Metering System shall be located where the total production from the Property will pass through the meter. A consistent interpretation of the Rules is that the Owner may install a meter at a pivot which is a central collection point. The use of the central collection point for the meter location is a method that weans Well Owners off of the alternative metering methods because all of the water on the property is captured through the central collection point.

For wells located on groundwater right units that have manifold systems across multiple properties, the best way to ensure that the production from the unit is properly reported is for the District to require a meter on each well. In areas where new multiple well systems are installed, the General Manager has directed meters at each well because many times there are no static central collection point that can ensure all of the groundwater from a unit can be measured. For new wells drilled in existing systems that have historically relied on an alternative metering method, location of the meter at the pivot is logical and appropriate because it satisfies the requirement for placing the meter as close as practicable to the Well and metering the total flow from the system. There is no requirement in the Manual or the Rules that specifically directs an Owner to install a meter at the Well and a second meter at the central collection point. However, if the Board desires to remove the option to use an alternative metering method on existing

systems when a Well is added to a Property, or remove the option to use a central collection point, the Board must amend its Rules.

The General Manager recommended that the Board amend the Meter Manual to require a meter at every new Well for new systems to capture the total amount of groundwater produced from a property; he also recommended that the Board remove the option to use a central collection point from its Rules if it feels that it is no longer valid means of groundwater withdrawal measurement.

Brian Bezner moved that the Board allow CAFOs to continue to use a central collection point on a closed system as an alternative metering method with the requirement that daily head counts for any month or months be furnished upon request until such time as the District chooses to phase-out all of the alternative reporting methods. Wesley Spurlock seconded the motion and it was unanimously approved by the Board.

Bob Zimmer moved that the board amend the Meter Manual to require a meter at every new well for new systems to capture the total amount of groundwater produced from a property based on the discussion above. Brian Bezner seconded the motion and it was unanimously approved by the Board.

Bob Zimmer moved that the Board propose the following Rule 3.5E and Rule 3.5F for public hearing on November 29, 2012 at 7:30 p.m. in the District office in Dumas and for the District staff to give notice of the hearing and of the proposed Rules as provided by law and the Rules of the District; and to hold stakeholders meetings to receive public comment on November 19, 2012 at 7:00 p.m. Central Standard Time at the Ochiltree County Expo Center, 402 Expo Drive, Perryton, Texas 79070 and on November 20, 2012 at 7:00 p.m. Central Standard Time at the Rita Blanca Coliseum, 1219 West FM 281, Dalhart, Texas 79022:

> ***E.*** *Effective January 1, 2013, an Owner may use an Alternative Metering System or a central collection point to report groundwater withdrawals from a Property until the Owner applies for a Permit to construct a Well or amend an existing Well Permit on the Property. At that time, the Owner must install meters at the pump on all Wells on the Property within 150 days after the Permit or amended Permit approval.*
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> ***F.*** *After January 1, 2013, an Owner may use an Alternative Metering System or a central collection point to report groundwater withdrawals from a Property until the owner Pools the Property. Before the Owner can complete the Pooling, the Owner must install meters at the pump on all Wells on the Property to be Pooled.*

Brian Bezner seconded the motion and the motion passed by the majority vote of the Board with Wesley Spurlock opposing the motion.

A Schedule of Well Permits was presented to the Board for its review. Phil Haaland moved to approve all of the following permits as active and complete wells, except DA-48811, because the wells are properly equipped and otherwise comply with District Rules:

COUNTY	OWNER	WELL	PROP	CL	MAX	QTR	SEC	BLK	SUR	YARDS N S	YARDS E W
DALLAM	G & G OPERATORS	DA-4753	SU	C	800	SE	31	1	CSS	28S	280E
DALLAM	DOROTHY REEVES	DA-4815	SU	C	800	NW	39	5	CSS	864N	665W
DALLAM	JODY BEZNER/RONNIE FARRIS	DA-4874	SU	C	800	SE	19	2	B&B	369S	150E
DALLAM	L & R BEZNER LTD	DA-4881	POOL	C	800	SE	65	5	CSS	150S	817E

DALLAM	HIDDEN VALLEY FARMS	DA-4911	POOL	B	400	SW	11	2	CSS	61S	441W
DALLAM	WILDER FARMS INC	DA-4999	POOL	C	800	SW	28	1	CSS	825S	824W
DALLAM	WILDER FARMS INC	DA-5003	POOL	C	800	NW	26	48	H&TC	869N	148W
DALLAM	PATSY STACY	DA-5102	SU	D	1200	NE	6	0	DAY L&C	118N	264E
HARTLEY	JONATHAN GRADY	HA-3508	SU	B	400	SW	139	48	H&TC	117S	828W
HARTLEY	LARSEN FARMS LLC	HA-4082	POOL	C	800	NE	26	12	CSS	447N	436E
HARTLEY	LARSEN FARMS LLC	HA-4083	POOL	C	800	NW	27	12	CSS	448N	432W
HARTLEY	LARSEN FARMS LLC	HA-4169	POOL	C	800	NW	27	12	CSS	810N	724W
HARTLEY	MENTAL RESOURCES	HA-4477	POOL	B	400	NW	36	13	CSS	826N	2W
HARTLEY	DON OPPLIGER FARMS	HA-4489	POOL	C	800	NW	7	12	CSS	672N	841W
HARTLEY	MENTAL RESOURCES	HA-4676	POOL	B	400	NW	36	13	CSS	546N	6W
HARTLEY	SHARTZ LAND INC	HA-4737	POOL	C	800	SW	46	2	B&B	111S	1W
HARTLEY	ALAN BUEBER	HA-5014	SU-PP	B	400	SW	83	2	B&B	601S	0W
HARTLEY	ALAN BUEBER	HA-5015	SU-PP	B	400	NW	83	2	B&B	863N	564W
HARTLEY	ALAN BUEBER	HA-5016	SU-PP	B	400	NE	84	2	B&B	721N	747E
HARTLEY	NEDAR ONE FARM LP	HA-5038	POOL	D	1200	NE	118	4	CSS	841N	142E
HARTLEY	DEVRIES HIGH COUNTRY LLC	HA-5050	SU	C	800	NW	60	2	B&B	165N	120W
HARTLEY	GUSTIN FARMS	HA-5100	POOL	C	800	SW	43	48	H&TC	105S	405W
HANSFORD	CHAPCO INVESTMENTS INC	HN-5049	SU	D	1200	NE	100	2	GH&H	50N	883E
HANSFORD	D & M CARPENTER ENTERPRISES LTD	HN-5058	SU	D	1200	SW	148	4-T	T&NO	159S	119W
HUTCHINSON	SHACKELFORD FARMS	HU-4771	SU	D	1200	SW	0	5	WM HEATH	454S	1782W
HUTCHINSON	MARK MCCLOY	HU-4776	POOL	D	1200	SE	101	5-T	T&NO	500S	180E
HUTCHINSON	CHAPTER PETROLEUM	HU-5032	SU	D	1200	NE	1	M-16	AB&M	254N	424E
HUTCHINSON	DAVID & MIKE JOHNSON	HU-5033	POOL	D	1200	SW	4	1	BBB&C	130S	437W
MOORE	DON KIMBRELL	MO-4442	SU	C	800	SW	124	3-T	T&NO	711S	23W
MOORE	DONALD CRAIG WILLIAMS	MO-4659	SU	D	1200	NW	101	3-T	T&NO	758N	34W
MOORE	FARIA DAIRY	MO-4740	POOL	C	800	SW	19	Q	H&GN	163S	168W
MOORE	FARIA DAIRY	MO-4788	POOL	C	800	NE	9	Q	H&GN	106N	472E
MOORE	FARIA DAIRY	MO-4789	POOL	C	800	SW	8	Q	H&GN	879S	256W
MOORE	FARIA DAIRY	MO-4790	POOL	C	800	NW	17	Q	H&GN	307N	23W
MOORE	FARIA DAIRY	MO-4791	SU	C	800	SW	20	Q	H&GN	259S	129W
MOORE	FARIA DAIRY	MO-4792	POOL	C	800	SE	17	2-T	T&NO	117S	427E
MOORE	ROBERT SHELLBERG	MO-4833	SU	D	1200	NE	100	3-T	T&NO	490E	780N
MOORE	ANN POWELL WALKER	MO-4919	POOL	B	400	NW	393	44	H&TC	28N	854W
MOORE	DIAMOND SHAMROCK REFINING CO	MO-4929	POOL	D	1200	SW	401	44	H&TC	854S	788W
MOORE	MY PARTNERS LP	MO-4962	SU	B	400	NE	401	44	H&TC	520N	323E
MOORE	BRENT CLARK	MO-4983	SU	C	800	NE	239	44	H&TC	258N	838E
MOORE	WILLIE MAE GARRETT	MO-5090	SU	C	800	NW	260	44	H&TC	853N	872W
OCHILTREE	BURTON SCHUBERT	OC-4887	SU	D	1200	SW	73	4-T	T&NO	540S	897E
SHERMAN	MARY CATOR GARDNER	SH-3872	POOL	D	1200	NW	80	3-T	T&NO	713N	760W
SHERMAN	MCBRYDE FARM LTD	SH-3997	SU	C	400	NW	79	1-T	T&NO	294N	182W
SHERMAN	THOMAS R FERGUSON	SH-4036	SU	C	800	NW	23	3-B	GH&H	43N	849W
SHERMAN	KAY HUDSON FUQUA	SH-4037	SU	B	400	SE	48	2-B	GH&H	873S	603E
SHERMAN	KAY HUDSON FUQUA	SH-4038	SU	B	400	SE	48	2-B	GH&H	601S	729E

SHERMAN	ANDY PHILLIPS	SH-4112	SU	B	400	SE	408	1-T	T&NO	105S	115E
SHERMAN	ANDY PHILLIPS	SH-4113	SU	B	400	SE	408	1-T	T&NO	558S	110E
SHERMAN	W & C LAND AND CATTLE LTD	SH-4340	SU-POOL	B	400	SE	93	1-T	T&NO	384S	133E
SHERMAN	W & C LAND AND CATTLE LTD	SH-4341	SU-POOL	B	400	SE	93	1-T	T&NO	114S	463E
SHERMAN	WM HARRIS GUYTON	SH-4356	SU	C	800	SW	112	1-C	GH&H	371S	172W
SHERMAN	WILLIAM EMMERT	SH-4729	SU	C	800	SE	172	1-T	T&NO	581S	485E
SHERMAN	CAL FARLEYS BOYS RANCH	SH-4931	SU	D	1200	SW	40	3-T	T&NO	835S	39W
SHERMAN	HARD MONEY LTD	SH-4939	SU	B	400	NW	198	1-C	GH&H	345N	81W
SHERMAN	HARVEY BOEHS	SH-5063	SU	C	800	NE	5	2	GH&H	685N	908E

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

Wesley Spurlock moved to approve Well permit DA-4881 as an active and complete well, because the well is properly equipped and otherwise complies with District Rules. Phil Haaland seconded the motion and it was approved by the majority vote of the Board with Brian Bezner abstaining from the vote.

Steve Walthour reported that the Texas High Plains Evapotranspiration Network (TXPET) project team has worked closely with the Panhandle Regional Planning Commission (PRPC) to secure grant funding from the Texas Water Development Board (TWDB) to partially cover real costs associated with packaging and furnishing TXPET Network data to users. Mr. Walthour presented correspondence to the Board from Texas AgriLife Research to consider supporting an annual commitment of $15,000 for three or more years to allow the team to restore and maintain the TXPET Network to an accessible source of high quality data to a large portion of the District's users.

The District was directly using the information in the first year of our 200-12 program before the network portal was discontinued. The District has made other arrangements for the 200-12 program. Since District staff does not fully understand the total value of the portal, the General Manager deferred to the Board's expertise on this issue.

After a discussion of this issue between the Board, Dana Porter and Thomas Marek, the General Manager recommended to the Board that it table this matter. Phil Haaland moved to table Agenda Item 3e. Danny Krienke seconded the motion and the motion passed by the majority vote of the Board with Wesley Spurlock and Brian Bezner opposing the motion.

The board recessed at 10:30 a.m. and reconvened at 10:45 a.m.

The General Manager reported to the Board that cooperator tours of the "200-12 Project" and control fields were completed on September 17th on the west side of the District and on September 19th on the east side, respectively. Some of the demonstration fields have been harvested and some of the yield data has been received. More will be known as harvest progresses and the yield data should be all in by the end of the October. An encouraging development regarding adoption is the number one ranking that the Ochiltree County NRCS workgroup gave to the irrigation water management technologies that are a part of the "200-12 Project." The number one ranking applies to flow meters and other management tools, including soil moisture monitors. Cost share availability on these technologies throughout the District should increase adoption rates.

In the coming months the final data for this year's "200-12 Project" will be compiled into the annual report for presentation to the public. The District is scheduled to participate in the Amarillo Farm and Ranch show and will highlight the "200-12 Project." The District will pursue any other appropriate opportunities to present the findings of the Project including, but not limited to, this year's High Plains Irrigation Conference in Amarillo in January 2013. The District will coordinate with the South Plains participants in the

Texas High Plains Initiative in cooperative opportunities to promote the conservation strategies involved in the projects.

Preparations for the 2013 season of the project will begin in January 2013.

The Board next considered Action Agenda item 3g. At the September board meeting, the Board of Directors inquired about agricultural best management practices published by the state. The practices are not currently required by the state. The current practices include irrigation scheduling, volumetric measurement of irrigation water use, crop residue management and conservation tillage, and on-farm irrigation audits. Below is a short definition of each best management practice:

1. **Irrigation Scheduling:** Helps to prevent the over-application of water, yet maintain optimal crop growth. "Irrigation scheduling can significantly reduce the amount of irrigation water pumped and avoid excessive energy use".

2. **Volumetric Measurement of Irrigation Water Use:** Measuring water usage is significant for managing present and future water use. There are many technologies used that are used around the state to measure flow including propeller flow meters, magnetic flux meters, and pressure meters. "Groundwater conservation districts and irrigation districts rely on irrigation water use information to quantify the effects of water withdrawals on aquifers and surface water resources, which assists these groups in responsible resource management".

3. **Crop Residue Management and Conservation Tillage:** These are two separate practices that are considered to be closely related. "Crop residue management conserves some of the remains of a previous crop on the field". This practice helps reduce soil erosion and helps capture beneficial precipitation. "Conservation tillage reduces the intensity of soil-disturbing operations, often limiting tillage passes". There are different tillage systems including no till, mulch till, strip till, and ridge till. Conservation tillage helps increase oxygen levels and maintain beneficial nutrients within the soil. Adopting these practices help producers decrease labor and maintenance costs.

4. **Irrigation Audit:** "A testing process to assess an irrigation system's performance". It is meant to help producers increase their irrigation water efficiency and give them an idea of how evenly their irrigation water is being applied over a crop. The audit is a three phase process starting with data collection, the on-site audit, and the final audit report.

The District has based rules around some of these best management practices. For instance, the district requires each producer to file production reports every year so that we can gather information on how much water is being pumped out of the aquifer. In order for producers to provide that information they have to decide on a metering method which could include anything from natural gas bills to flow meter readings. With this, the District is following closely to the volumetric measurement best management practice laid out by the Texas Water Development Board. Irrigation Scheduling is supported through the districts production limitations and conservation reserve program. The District's 200-12 Project is closely correlated to the irrigation scheduling best management practice and in fact is partly funded by a grant provided by the Texas Water Development Board to help provide equipment to accurately measure soil moisture and the amount of water on the crop. The grant is also used to hold field tours which help educate producers on the effectiveness of soil moisture probes and irrigation scheduling.

While the District doesn't have a set of rules pertaining to crop residue management and conservation tillage, it is something that the District has worked with the USDA to publish significant educational material regarding crop residue management and actively support the use of conservation tillage by its purchases of a strip tiller at the research field and encouraging 200-12 cooperators to use the practices.

Currently the four best management practices listed above are in the process of being re-written by the Council's workgroups and sub-committees. Stakeholders are encouraged to participate if they have any ideas or thoughts on these best management practices. They have just wrapped up the first public comment period, but there should be a final public comment period to be announced. I have listed the website if you would like more information.

The proposed drafts of the amended practices were presented to the Board and the website for making comment is http://www.savetexaswater.org/bmp/AgBMPindex.htm. The reference for this summary is "*Agricultural Water Conservation Irrigation Water Use Management.* (2004). Retrieved September 24, 2012 from http://www.twdb.state.tx.us/publications/brochures/conservation/doc/AgBrochure2_irrigation.pdf.

The General Manager recommended that the Agriculture Committee review the draft best management practices and provide comment to the Texas Water Development Board.

Wesley Spurlock moved that the Board direct the Agriculture Committee to review the draft best management practices and provide comment to the Texas Water Development Board. Phil Haaland seconded the motion and it was unanimously approved by the majority vote of the Board, with Brian Bezner abstaining from the vote because of his absence from the board room.

In September, the Board authorized the draft management plan to be placed on the web site for public comment. Since then the staff has amended the proposed plan with additional information and believes that the document is now ready for proposing to the public and setting a hearing date. District staff review the proposed changes to the management plan with the board.

In 2008, the North Plains Groundwater Conservation District revised or updated its Groundwater Management Plan. The plan took effect immediately and is still in effect today. According to Texas Water Code 36.1072, a district may review the plan annually and must review and readopt the plan with or without revisions at least once every five years. The district shall provide the readopted plan to the executive administrator not later than the 60th day after the date on which the plan was readopted. Approval of the preceding management plan remains in effect until:

(1) the district fails to timely readopt a management plan;

(2) the district fails to timely submit the district's readopted management plan to the executive administrator; or

(3) the executive administrator determines that the readopted management plan does not meet the requirements for approval, and the district has exhausted all appeals to the Texas Water Development Board or appropriate court.

Following notice and hearing, the district shall, in coordination with surface water management entities on a regional basis, develop a management plan that addresses the following management goals, as applicable:

(1) providing the most efficient use of groundwater;

(2) controlling and preventing waste of groundwater;

(3) controlling and preventing subsidence;

(4) addressing conjunctive surface water management issues;

(5) addressing natural resource issues;

(6) addressing drought conditions;

(7) addressing conservation, recharge enhancement, rainwater harvesting, precipitation enhancement, or brush control, where appropriate and cost-effective; and

(8) addressing the desired future conditions adopted by the district under Section 36.108.

The management plan, or any amendments to the plan, shall be developed using the district's best available data and forwarded to the regional water planning group for use in their planning process

The General Manager requested that the board review and propose the management plan attached hereto as Exhibit "A" and set a public hearing date or allow the staff to select a hearing date where a quorum of the board can be present to gather public comment.

Danny Krienke moved that the Board review and propose the attached management plan and direct the District staff to set a public hearing date to gather public comment where a quorum of the board can be present. Following notice and hearing, the district shall, in coordination with surface water management entities on a regional basis, develop a management plan that addresses the above listed management goals as applicable. Wesley Spurlock seconded the motion and it was unanimously approved by the Board.

The General Manager reported to the Board that on May 11, 2004, the District adopted the current 457 Plan for retirement. This governmental 457 Plan includes all full time employees. According to the District's financial audit, the 457 Plan replaced a defined benefit plan that the District did not make a contribution for 1999, 2000, 2000, 2001 and 2003. However, in 2002 the district contributed $45,000. When the defined benefit plan was discontinued the District canceled out the defined benefit retirement program for all district employees and rolled the remaining finances into the 457 Plan. In recent years the District has raised its contribution amount from 5% to 7% providing the employee will also contribute up to 7%. The General Manager has reviewed the current 457 Plan against what the District provided to employees before 2004, the General Manager's investments rolled into an IRA account with Edward Jones, the General Manager's assets and contributions into the 457 Plan, and the General Manager's retirement through the Texas County and District Retirement System. The General Manager believes that the current plan is an inferior product and provides no guarantee regarding retirement. In the five years that the General Manager has been a part of the plan, the only time the current plan administrator or a representative from the vendor has met with the manager, staff or the board is to renew the contract. Basically, this is not surprising because unless an employee has enough financial position within a 457 Plan, the representative generally doesn't want to spend the time required to get to know the investing or future needs of the employee. So it is left up to the employee to pick from a broad range of mutual funds that are not well described. For the same money the District invests in employee retirement there is a better plan. The General Manager recommended that the Board join with the Texas County and District Retirement System for its employee retirement program.

Created in 1967 by the Texas Legislature, the Texas County and District Retirement System (TCDRS) works with more than 620 county and district employers to provide retirement, disability and survivor benefits to more than 225,000 Texas public employees and retirees. The system receives no funding from the State of Texas. Each plan is funded independently by the county or district and its employees. TCDRS net assets are $17.6 billion as of Dec. 31, 2011 and paid out $797 million in benefits.

Each county and district that participates in TCDRS maintains its own customized plan of benefits. This gives employers the flexibility and local control to select and pay for benefits based on their needs and budget. Employers review their plans annually and

have the option to raise or lower benefits to control costs. Employees save for their own retirement over the length of their careers. TCDRS benefits are based on an employee's total savings balance, which includes interest and employer matching contributions. This structure prevents benefit manipulation—or "benefit spiking"—sometimes found in plans using final average salary benefit formulas. Benefits are funded by each county or district and its employees. Each employer must pay 100% of its required contribution each year. This ensures the necessary money is saved and avoids pushing retirement costs onto future generations of workers or the board.

A nine-member board of trustees appointed by the Texas Governor and confirmed by the Texas Senate governs TCDRS policies and operations. Trustees must be current members or retirees of the system. The board has oversight of all system operations including annual budget, policy determination, legislative proposals and investment policy.

TCDRS net assets are $17.6 billion as of Dec. 31, 2011. Investment earnings fund almost 80% of the benefits paid to retirees. TCDRS' target return for the fund is 8%. Its 30-year return is 9.9% (period ended Dec. 31, 2011). TCDRS is invested in a broadly diversified portfolio, which reduces total exposure to losses from any single asset class or investment.

A percentage of the employee's paycheck is deposited into his or her TCDRS account. That percentage, ranging from 4% to 7%, is set by the employer. The savings grow at an annual, compounded rate of 7%. Once the employee retires, he or she will receive a lifetime benefit that is based on the final account balance. The average TCDRS retiree begins retirement at age 61, after 17 years of service and receives an annual benefit of $18,312.

The General Manager recommended that the Board direct the executive committee to review the proposed plan and schedule a TCDRS presentation at the next board meeting

Danny Krienke moved that the Board direct the executive committee to review the proposed TCDRS plan and schedule a TCDRS presentation at the next board meeting. Phil Haaland seconded the motion and it was unanimously approved by the Board.

The General Manager discussed the Castleberry Ranch, Ltd. compliance matter with the Board. Mr. Walthour reported that on March 1, 2011 Castleberry Ranch, Ltd entered into a Compliance Agreement with the District for exceeding the 2010 Allowable Annual Production Limitation of District Rule 3.3A. on the Southwest Quarter of Section 26, Block 16, CSS Survey, Hartley County, Texas in which Castleberry agreed to pay a civil penalty and agreed to do the following on or before March 1, 2012:

(1) Purchase, lease, or trade additional water rights contiguous to the Property so the wells on the Property will no longer produce groundwater that exceeds the District's Annual Production Limits; or

(2) Drill additional well or wells on water rights owned by Castleberry in Sections 44-48 Block 16, CSS Survey, Hartley County, Texas and construct a pipeline to transport water from said wells to the property so the Property will no longer produce groundwater that exceeds the District's Annual Production Limit.

In addition, if these provisions were not fulfilled, Castleberry agreed, that if it exceeded the Allowable Annual Production limitation of Rule 3.3B for calendar year 2011, to pay the District $75 per acre-foot for each acre foot produced in excess of Castleberry's production limit.

If the Compliance Agreement was fulfilled, the District would refund 90% of the civil penalty for exceeding the District's 2010 Production Limitation and not seek civil penalties for non-compliance with Rule 3.3B in 2011.

Mr. Walthour stated that Castleberry Ranch, Ltd has completed the following terms of this compliance agreement:

(1) On March 30 thru April 2, 2012, drilled three wells in Sections 44 Block 16, CSS Survey, Hartley County, Texas.

(2) Constructed a pipeline to transport water to the producing properties that wells from Section 26, Block 16, CSS Survey, Hartley County, Texas are providing water for.

The General Manager believes that although not completed by the March 1 deadline, Castleberry has, in good faith, substantially complied with the Compliance Agreement and recommended not seeking civil penalties for exceeding the production limit for 2011 and a refund of 90% of the $19,907.50 civil penalty collected on March 1, 2011 which is $17,916.75.

Phil Haaland moved that Castleberry Ranch, Ltd. has, in good faith, substantially fulfilled the March 2011 Compliance Agreement; to instruct the General Manager to refund 90% of the $19,907.50 civil penalty collected on March 1, 2011 or $17, 916.75; and to direct the General Manager to amend the budget as necessary to address the refund. Wesley Spurlock seconded the motion and it was unanimously approved by the Board.

The General Manager stated further that there is not a settlement agreement for 2012 and Castleberry Ranch, Ltd is subject to the same production limitations as all other property owners and subject to any civil penalties related to exceeding the production limit in 2012.

The 2013 Legislative session starts in February, 2013. The Board and its legal counsel discussed amending the District's Enabling Legislation to permit it to have the option to hold its director elections in May or November; to hold its rulemaking hearings as provided by Chapter 36; and to conform with the ad valorem tax rate cap as provided by Chapter 36 of the Water Code. Danny Krienke moved that the General Manager and the District's legal counsel develop a draft of proposed legislation for presentation to the Board for its review at future Board meeting prior to February, 2013. Bob Zimmer seconded the motion and it was unanimously approved by the Board.

Phil Haaland moved to go into Executive Session in compliance with the Texas Open Meetings Act, Chapter 551 of the Texas Government Code, §§551.071 and 551.072, to obtain legal advice from its attorney regarding pending compliance matters, and for the Board to deliberate regarding the purchase, exchange, lease, or value of real property. Brian Bezner seconded the motion and it was unanimously approved by the Board.

Executive Session: At 12:01 p.m., the Board went into Executive Session to seek legal advice from its attorney and to deliberate regarding the purchase, exchange, lease, or value of real property. At 12:32 p.m., Director Brian Bezner moved that the Board reconvene into regular session. Bob Zimmer seconded the motion and it was unanimously approved by the Board.

At 2:34 p.m. the Board reconvened into regular session.

Bob Zimmer moved that the District issue a Show Cause Order to Andy Cover, doing business as Cover Farms, to appear before the District on November 13, 2012 at 9:30 a.m. and show cause why Cover's operating authority or permit should not be suspended, cancelled or otherwise limited and/or why Cover should not be subject to an injunction or civil penalties as set forth in the District's Rules for exceeding the District's Allowable Annual Groundwater Production limitation for calendar year 2011 for Property Number 584 and Property Number 1375. Brian Bezner seconded the motion and it was unanimously approved by the Board.

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

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. Mr. Walthour also reported that the District Christmas party was scheduled for December 8, 2012.

By consensus, the Board set its next regular Board meeting for November 13, 2012 at 9:30 a.m. in the District office.

Phil Haaland moved to adjourn the meeting. Brian Bezner seconded the motion and it was unanimously approved by the Board. President Born declared the meeting adjourned at 12:41 p.m.

Gene Born, President

Bob 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 October 16, 2012:

Persons Present:

Gene Born, President
Bob Zimmer, Secretary
Brian Bezner, Vice President
Danny Krienke, Director
Phil Haaland, Director
Wesley Spurlock, Director
Steven D. Walthour, General Manager of the District;
Kirk Welch, Assistant General Manager/Outreach; and,
Claire Yauck Walsh, Attorney.

Beginning Time: 12:01 p.m.

Ending Time: 12: 30 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 551.072.

Gene Born

Gene Born, Presiding Officer

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
PROPERTY COMMITTEE MEETING
8:00 a.m. October 16, 2012
603 East 1st Street, Dumas, Texas

Members Present
Bob Zimmer
Phil Haaland
Danny Krienke

Staff Present during part or all of the meeting
Steve Walthour, General Manager

Various options were discussed for facility improvements.

No action was taken.

Gene Born, President

Bob Zimmer, Secretary