MINUTES OF THE FEBRUARY 14, 2013
BOARD OF DIRECTORS MEETING OF
NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT

The Board of Directors of North Plains Groundwater Conservation District met in regular session February 14, 2013, at 9:30 a.m. in the Board Room of the North Plains Groundwater Conservation District at 603 East 1st Street, Dumas, Texas 79029. The following persons were present:

Members Present:

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

Staff Present during part or all of the meeting:

Steve Walthour, General Manager;
Kirk Welch, Assistant General Manager/District Outreach;
Kristen Alwan, Executive Assistant; and,
Laura West, Production Monitoring Coordinator.

Others present during part or all of the meeting:

Tyson Brent, III;
Tandy Massucci;
Douglas Meil;
Guy Burkett;
Ellis Moore;
Leon New;
Mike Yanke;
Emmett Autrey;
Jerry _____;
Sabrina Leven;
Marty Jones, Esq.;
Amy Haschke;
Dillon Pool;
Tom Moore;
Steven Moore;
Thomas Marek; and,
Qingwe Xue;
F. Keith Good, District General Counsel; and,
Ellen Orr, Paralegal.

President Born declared a quorum present and called the meeting to order at 9:34 a.m.

Director Wesley Spurlock gave the invocation and President Born led the pledge.

President Born recessed the regular Board meeting at 9:35 a.m. and called the Application for Exception Hearing of Wayland Baptist University for hearing. President Born closed the Application for Exception Hearing of Wayland Baptist University.

President Born called the Application for Exception Hearing filed on behalf of Circle Wine Glass Farms, LLC. President Born closed the Application for Exception Hearing of Circle Wine Glass Farms, LLC at 10:06 a.m. and reconvened the regular Board meeting.

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

Phil Haaland moved to approve the Consent Agenda consisting of the approval of the Minutes of the Board Meeting of January 15, 2013; the un-audited District expenses presented to the Board from January 1, 2013 through January 31, 2013, including the General Manager's Expense and Activity Report; and the approval of payment of professional services and out-of-pocket expenses to Lemon, Shearer, Phillips & Good, P.C. in the amount of $7,332.72 for January 1, 2013, through January 31, 2013. Brian Bezner seconded the motion and it was unanimously approved by the Board.

Phil Haaland moved to deny the Application for Exception of Circle Wine Glass Farms, LLC regarding Rule 2.1, Paragraph A2. Brian Bezner seconded the motion and it was unanimously approved by the Board.

Phil Haaland moved to deny the Request for Exception filed by Wayland Baptist University because no exception was required since the Well was drilled as specified in the Well Permit, and the Well is therefore administratively correct. Bob Zimmer seconded the motion and the motion was unanimously approved by the Board.

Thomas Marek and Qingwe Xue presented an annual report on behalf of Texas AgriLife Research regarding activities at the District's North Plains Research Field. Texas AgriLife personnel inquired about the District constructing a new well for irrigation purposes, construct a barn for farming equipment and address the water supply for the offices at the Research Field.

The General Manager prepared a set of draft rules using some of the technical concepts from the June 2012 concept paper prepared by the General Manager. The draft deals only with technical matters and not the processes for hearings and other matters before the Board. Amendment of those particular Rules, if any, will be proposed by general counsel at a later date. Below is a short description of each of the chapters contained in the draft:

Chapter 1 - General provisions, district jurisdiction, definitions
This chapter deals with the District's general jurisdiction, business office address, purpose of the rules, construction of the rules, general application requirements for all matters, authority to enforce rules, authority to enter land, the effect of filing fraudulent information with the District and definitions. The definitions have been amended to reflect what is in the rules.

Chapter 2 -Applications, permits and registrations
This chapter deals with the process for registering and permitting a well, well exemptions. Primary concepts in this chapter removes the requirement that adjacent land owners must stay at least 400 yards away from a property line will a test hole permit is in effect, removes the concept of "unused well", changes the General Manager's action on an expedited permit from as soon as possible to as soon as practicable.

Chapter 3 - Well classification, spacing and density
This chapter creates an "S" well classification for wells less than 25 gallons per minute, offers options to property line spacing, removes the calculation of drilling a smaller well away from a larger well, requires all wells to be spaced from a domestic well as they would from any other well and provides a spacing easement between a domestic well and a larger well, provides for new requirements for replacement wells, well spacing from

natural springs, the requirement that capped wells count toward well density, and ties well density to sections.

Chapter 4 - Well construction and required equipment
This chapter requires that wells be constructed to prevent pollution, changes the well location accuracy from 10 yards to 15 yards, reduces the check valve specifications, creates a requirement to seal the annular space, provides specifications for capping a well, addresses well plugging, and how the district recovers expenses for plugging wells.

Chapter 5 - Water flow meters and alternative measuring method
This chapter incorporates the metering manual, set a deadline for eliminating alternative metering methods, and incorporates the metering rules in the previous rule set.

Chapter 6 - Allowable annual production and reporting
This chapter addresses allowable annual production and reporting, clarifies that conservation reserve stays with the property, and notices that allowable annual production may be reduced to achieve DFCs.

Chapter 7 - Pooled groundwater units
This chapter provides how to pool groundwater units, addresses boundaries between pooled units under common ownership, and provides criteria if a person wants to develop and properly file their pooled groundwater unit document without staff input.

Chapter 8 - Amendments to allowable annual production to achieve desired future conditions
This chapter defines DFCs and the calculation for reducing allowable annual production to achieve DFCs.

Chapter 9 - Waste of groundwater
This chapter prohibits waste and provides conditions constituting waste.

Chapter 10 –Deposits and fees
This chapter covers all deposits and fees for all services to the District. The General Manager has not included a fee rule for production fees in the Dallam County PGMA area.

The Board adjourned for lunch at 12:45 p.m. and reconvened at 1:07 p.m.

The Board continued with its review of the General Manager's rule amendment draft.

Leon New present the results for the District's 200-12 Project to the Board.

The General Manager discussed the District's Expedited Permitting Fee with the Board. The General Manager stated that because of the increased drilling activities over the past year, the District has received expedited well permit applications from applicants which elected to pay the additional fee to receive a well permit because the driller was available that day or the next day. The majority of expedited permits are for convenience and not as a result of an act of God, or eminent threat to life, health, or crop loss. District Rule 8.6 provides:

8.6 ***Expedited Permitting:*** *If an Applicant determines that the routine permitting procedure set forth within these Rules will place undue hardship on the Applicant's operation, the Applicant may request an Expedited Permit from the General Manager and shall pay an Expedited Permitting administrative fee.*

A. Under this permitting procedure, the General Manager will work closely with the Applicant to complete the requirements of these Rules to permit the

Applicant to begin drilling and producing the Well as soon as physically possible.

B. If during this process an issue arises involving the permitting requirements of these Rules which cannot be peaceably resolved between the General Manager and the Applicant, the General Manager shall suspend the process. The General Manager shall contact the President of the Board of Directors and the Director from the precinct in which the Well is proposed and request a "Special" Board Meeting to consider the Well Permit. Under this provision, drilling and/or production activities shall be suspended until the issue has been resolved by the Board. In this instance, the Board may consider a partial or full refund of the Expedited Permitting administrative fee.

For instances defined by the Board as a true emergency, such as a well failure that needs to be immediately replaced, the General Manager believes the District should act as soon as possible regardless of the permitting fee to assist the Owner in correcting the problem. However, in the case of an Owner simply wanting to move to the front of the line in getting a Permit and demanding that the District staff drop everything else, the fee should be set commensurate with that demand. Moving an applicant to the front of the line does delay the other applicants that have planned and filed an Application for Permit through the regular process. Also, District staff that are on other projects, such as water quality testing, flow testing, water level measurements, compliance matters, and other conservation programs, must postpone the completion of those programs to implement Rule 8.6. The General Manager recommended that the Board authorize two fee structure that allows for expedited permits the first fee would remain as is to replace wells that totally failed and that will be required to be plugged and a second fee that is significantly increased to encourage better planning.

Phil Haaland moved that the District's Expedited Permitting Fee be set at $1,500.00, which includes the Application fee, to be charged when merited in the sole discretion of the District staff. Brian Bezner seconded the motion and it was unanimously approved by the Board.

The Agriculture Committee met to discuss the District's program's related to agricultural conservation including the 200-12 Project, the Conservation Innovation Grant, progress at the Research Field, and the Texas AgriLife Extension's EPIC program. After consulting with the District's Conservationist and Irrigation Engineer, the general manager requested input from the Ag Committee regarding the future of the District agriculture conservation demonstrations. The committee responded that they were hopeful that the District would continue the demonstration and other agriculture conservation programs and projects.

The General Manager and the Committee agreed that a person who holds a degree in agriculture engineering could assist in filling the District's future requirements for management and administration of its conservation programs and potentially develop and lead the North Plains Research Field to the level required by the District. The ideal candidate would develop a relationship with the Ag Industry to receive research and demonstration grants, research conservation grant funding, learn what complimentary and beneficial research needs to be implemented or sponsored by the District, and manage the various agriculture conservation programs. Initially the position would coordinate the conservation programs not covered by current staff such and the Texas AgriLife Extension Agent's EPIC Program, work closer with Texas AgriLife at the research field, provide administrative leadership for interacting with USDA, TWDB, demonstration and research contractors, and other entities. The General Manager anticipates that the salary and benefits for this position would be the same for an entry level position as an agriculture engineer with the NRCS. The committee recommended that the Board authorize a position as described above to enhance the District's agriculture water conservation programs.

The General Manager recommended that the Board amend the Personnel Budget by $40,000 to cover the increased cost in personnel expenses for the remainder of the year.

Danny Krienke moved that the Board approve the addition of staff to fill the position as described above to enhance the District's agriculture water conservation programs and amend the Personnel Budget by $40,000 to cover the increased cost in personnel expenses. Harold Grall seconded the motion and it was unanimously approved by the Board.

The General Manager reviewed the District's requirements for office space. The General Manager requests that the Board authorize him to lease additional space at First State Bank and/or convert the Board Room into offices. The General Manager recommended converting the Board Room into four offices by installing windows and using modular furniture. The General Manager suggested that the Board could meet elsewhere in Dumas, or within the District until a final solution can be determined for District facilities.

Wesley Spurlock moved to approve this matter and authorize Steve to proceed with leasing additional office space and/or conversion of the Board Room. Brian Bezner seconded the motion and it was unanimously approved by the Board.

The General Manager discussed Bills that had been filed regarding groundwater during the 83rd Texas Legislative Session.

Senator Kel Seliger has proposed a Bill (SB 224) that would set aside $1.6 billion in the rainy day fund to be used as seed money or loan money to jumpstart projects in the State Water Plan. Senator Seliger's staff prepared an analysis of how the proposed funding will allow the state to generate the $26 billion over the next 50 years to fund water projects. The best way to protect water in the Panhandle and West Texas for the future of these areas is to find a funding mechanism that allows the State to loan money for projects such as lakes or desalination that can supply water to the eastern part of the State. The $1.6 billion is a mechanism to set up that loan funding. This bill, if passed, fits into our mission.

Other Bills that have been filed include Senator Seliger's Bill SB 272 that would amended Section 36.111 of the Texas Water Code to require owners of wells to report their water use and for those wells outside of a District to report water use to the Texas Water Development Board. Senator Seliger has also filed SB 302 relating to the management, operation, rulemaking authority, and oversight of groundwater conservation districts. Representative Flynn has filed HB 867 relating to the appointment of certain representatives to certain regional water planning groups.

The farm forward study prepared for the District by Texas AgriLife Extension Service and Texas Tech University was presented to the Board.

Danny Krienke moved that the District support Senator Seliger's SB 224. Phil Haaland 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, to obtain legal advice from its attorney regarding pending compliance matters. Wesley Spurlock seconded the motion and it was unanimously approved by the Board.

Executive Session: At 3:17 p.m., the Board went into Executive Session to seek legal advice from its attorney. At 3:36 p.m., Director Harold Grall moved that the Board reconvene into regular session. Bob Zimmer seconded the motion and it was unanimously approved by the Board.

At 3:36 p.m. the Board reconvened into regular session.

Director Wesley Spurlock tendered his letter of resignation, dated February 14, 2013 to the Board, which is attached hereto as Exhibit "A", and recommended that the Board appoint Justin Crownover to fill the remainder of his term.

Phil Haaland moved to accept the resignation of Director Spurlock and to appoint Justin Crownover to fill the remaining term of Mr. Spurlock, subject to Mr. Crownover accepting the appointment. Harold Grall seconded the motion and it passed by the majority vote of the Board with Wesley Spurlock abstaining from the vote.

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 and the General Manager's activity summary.

By consensus, the Board set its next regular Board meeting for March 18, 2013 at 9:00 a.m.

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 3:54 p.m.

Gene Born, President

Bob Zimmer, Secretary

Wesley A Spurlock
PO Box 840
Stratford, TX 79084

806-753-7214

February 14, 2013

Board of Directors
North Plains Groundwater Conservation District
PO Box 795
Dumas, TX 79029

Fellow Board Members,

Over the past several months, I have experienced feelings of serving on too many boards. January 15, 2013, this feeling became reality as I was unable to attend the water district's board meeting due to responsibilities as an elected director of National Corn Growers Association. At the district's meeting held that day, a new rule was passed and Sherman County was not given the opportunity to cast a vote due to my absence.

As a result of my inability to serve in my full capacity as the Sherman County director, I returned home and visited with stakeholders in my county on what had happened and the best way to solve the problem. As a result of these conversations, a replacement for the Sherman County director's position was identified. This individual has agreed to fulfill the remainder of my term and seek election at the next general election of the district.

Therefore, effective immediately, I am resigning as Sherman County Director of North Plains Groundwater Conservation District and recommend to the board Justin Crownover be appointed to fill this vacancy.

Thank you for accepting my resignation and considering my recommendation.

Sincerely,

Wesley A. Spurlock