

Middle Pecos Groundwater Conservation District Minutes of October 23, 2012

On this the 23rd day of October, 2012, a public hearing and a regular board meeting was held by the Middle Pecos Groundwater Conservation District at the Pecos County Courthouse office located at 103 West Callaghan, Fort Stockton, Texas, with the following members present, to-wit:

Glenn Honaker	President, Precinct 1
John Dorris	Vice President, Precinct 3
M. R. Gonzalez	Secretary/Treasurer, Precinct 2
Janet Groth	Precinct 1
Merrell Daggett	Precinct 2
Weldon Blackwelder	Precinct 3
Alvaro Mandujano, Jr.	Precinct 4
Ronald Cooper	Precinct 4
Vanessa Cardwell	Fort Stockton, City of
Evans Turpin	Iraan, City of

Quorum Present..

Members absent: Houston McKenzie

Others present: Paul Weatherby, Mike Gershon, Melissa Mills, Harvey Gray, Ed McCarthy, Jeff Williams, Brock Thompson, Gary Drgac, Refugio "Cuco" Rangel, Raul Rodriguez, Darrell Peckham, Drew Miller, Dan Percy, Greg Stanton, Cary Carman, Dudley McKissack, Stefan Schuster, John Jansing, Adrian Rosas, Alan Murphy, George Riggs, Chris Alexander, Gregg McKenzie, Steve Finch, Jr., Terry Whigham, Joe Shuster, Gary Drgac, Santiago Cantu, Gladys Dorris, Frances Gomez.

PUBLIC HEARINGS

- I Call to Order at 10:04 AM by President Glenn Honaker
- II Public Hearing on City of Fort Stockton Drilling Permit Application
NOTE: Attachment A is a verbatim of this public hearing

Uncontested Hearing.

Party representing the City of Fort Stockton: Raul Rodriguez, Stephan Schuster, and Alan Murphy

Public Comments: Mr. Ed McCarthy, on behalf of Fort Stockton Holdings

MPGCD manager Paul Weatherby addressed the Board. The application was received on September 28, 2012. Surrounding landowners were sent a copy of the today's public hearing. The application is administratively complete for a drilling permit.

In the application folder there is a document titled "Draft Technical Bid Package City of Fort Stockton Capitan Reef Complex Well (CRC-1)" on the first page (numbered 00 41 43-1) there is a sentence that needs corrected. The sentence currently reads: BASE BID - RAW WATER SUPPLY WELLS PHASE 2 - WARD COUNTY NORTH WELL FIELD. The word "WARD" shall be changed to "PECOS".

Mr. Weatherby is concerned that the plan doesn't call for the Rustler aquifer to be cemented off, and he would like to see all fresh water cemented off. He would like meters on all wells being pumped by the City of Fort Stockton.

He understands the water will be pumped into a 20" line. He requested to know how much water is being contributed from each well.

Mr. Weatherby recommended that the well be approved.

Mr. Raul Rodriguez, Fort Stockton City Manager, stated that the test well is exploratory to gather information for a bigger project to sell water to the City of Odessa. Currently the 3 wells the City of Fort Stockton has in operation are running constantly in the peak summer months, hence the reason to bring well 5 back on line after repairs are complete. Two million gallons per day is the goal for the City of Fort Stockton to have coming in from the test well in the winter months so that proper testing can be accomplished at the City's Reverse Osmosis plant. If the water analysis shows total dissolved solids of 5,000 or more - the project to use the test well for potable use cannot be accomplished.

Mr. Rodriguez stated that if the project goes forward, they will need 3 wells drilled into the Capitan Reef aquifer to get around 10 million gallons per day for Odessa.

Mr. Stephan Schuster, hydrogeologist for the City of Fort Stockton, presented information. He stated that TCEQ approval of the design of the well are not final, and approval of the completed well are contingent upon inspection at the well site once drilling is completed. The test well will be designed for "Drinking Water Standards". A three day pump test will be completed. He stated that a Total Dissolved Solid of 11,000 test range will be fine. Today you have before you a draft copy of the Technical Bid Package, a final copy and a contract with the City of Odessa should be available by the end of the week.

They intend to isolate the Capitan Reef waters and avoid comingling of the aquifers. If the project goes forward, Groundwater Management Area 7 would be contacted in an effort to increase the Desired Future Condition net decline in Capitan Reef water levels for Pecos County, which are currently set at 11 acre feet (Note: The Desired Future Conditions set for Pecos County in the Capitan Aquifer are actually 15 feet in 2010.)

Mr. Schuster assured the Board that a well reputable company familiar with Pecos County and drilling problems will be chosen to drill the test well. The Board was invited to the drilling site for a personal inspection of the drilling.

Board members had questions that were answered by Raul Rodriguez and Stephan Schuster.

III Adjourn: Mr. Honaker adjourned the Hearing at 11:30 AM.

The Board recessed at 11:30 AM

Reconvened at 11:47 AM

I Call to Order at 11:47 AM by President Honaker.

II Public Hearing on McDonnold Operating LLC Production Permit Application
Uncontested Hearing.

Party representing the McDonnold Operating LLC: None.

Public Comments: Mr. Ed McCarthy, on behalf of Fort Stockton Holdings

Manager Paul Weatherby stated that the application was received on September 14, 2012. The original *Notice of Intent to Drill* indicated the well was for oilfield use, and therefore did not require a production permit. The land is a 5 acre tract owned by Bivins. Stephen Cole with Alcam submitted the application. There are four partners involved, Globe Energy drilled the well, Alcam submitted contracts with the well owners, and McDonnold will be operating the wells, and the company decided they wanted to sell water as a public water sales station by truck or pipeline within the county.

The Board requested to issue a cease and desist selling water order. Mike Gershon's office will issue written notification to cease and desist. If further measures are warranted, further steps will be taken.

The application will be continued until the November posted meeting. The Board requested that relationships of all entities referred to in the application file be defined.

Weldon Blackwelder made a motion to continue the public hearing at the next regular board meeting. Seconded by John Dorris. Alvaro Mandujano, Jr. abstained from the vote. Motion carried.

III Adjourn: 12:09 PM by President Honaker.

The Meeting recessed for lunch.

I Call to Order at 1:30 PM by President Glenn Honaker

II Public Hearing on Randy Braden Production Permit Application

Uncontested Hearing. Mr. Braden was not in attendance.

Public Comments: Mr. Ed McCarthy, on behalf of Fort Stockton Holdings

Manager Paul Weatherby stated that the application was filed on April 12, 2011. Mr. Braden has purchased a farm and was drilling a well on the property and was unaware of the Middle Pecos GCD. He has 450 acres under production with a drip system and is requesting a production permit for 940 acre feet. There is a monitor well close by that is not showing any negative impact. Paul recommends that the application be approved.

During the public comment section, Mr. McCarty pointed out that the permit application requested water from Pecos Valley Aquifer and Edwards Trinity while the notice for the public hearing only referenced the Pecos Valley aquifer.

John Dorris requested that the City of Iraan be notified of the hearing.

Glenn Honaker stated that the production permit needed to be tabled and renoticed properly so that the application and notice match.

III Adjourn John Dorris made a motion to adjourn the public hearing. Seconded by Vanessa Cardwell. Motion carried and the public hearing adjourned at 1:51 PM.

A suggestion was made to add a sentence to the production permit application process to question applicants to see if water rights are with the surface.

PUBLIC HEARING ON PROPOSED RULES AND REHEARING

I Call to Order at 1:56 PM by President Glenn Honaker.

II The District will receive public input at a consolidated hearing on proposed amendments to the District's rules and on Fort Stockton Holdings, L.P.'s Motion for Rehearing. At the hearing the District will consider (1) extending the deadline to adopt maps of 2010 benchmark aquifer levels in accordance with District Rule 10.5; (2) options for processing applications for Historic and Existing Use Permits, including option of validating deadline or continuance period for filing applications as September 15, 2005, option of maintaining pre-June 2012 rules and August 1, 2005 deadline for filing applications, and option to extend deadline for filing applications to 2012-13 timeframe without modifying the Historic and Existing Use Period; and (3) establishing groundwater use reporting requirements for certain exempt wells in accordance with state law.

Mr. Ed McCarthy on behalf of Fort Stockton Holdings addressed the Board.

- Fort Stockton Holdings submitted written comments on July 9, 2012 and on October 23, 2012.
- 10.5 rule The deadline doesn't really matter
- 10.7 rule Alternative measurements needs to be supported with acceptable criteria - short of metering.
- The Board should reject all of the proposed amendments that would reopen and/or extend the Historic and Existing Use Permit application period and retain the District's Rule regarding Historic and Existing Use Permits effective January 17, 2012.

Mr. Drew Miller on behalf of Pecos Pecan Company addressed the Board.

- Pecos Pecan Company submitted written comments on October 16, 2012.
- Pecos Pecan Company urges the Board of Directors of the District to extend the deadline for filing an application to a 2012-13 time frame but without modifying the Historic and Existing Use Period.

III Adjourn Weldon Blackwelder made a motion to adjourn the public hearing. Seconded by Merrell Daggett. Motion carried and the public hearing adjourned at 2:11 PM.

REGULAR BOARD MEETING

- I Call to Order at 2:15 PM by President Glenn Honaker.

- II Presentation on the Capitan Reef Aquifer by Steve Finch
Steve Finch, Jr., presented a powerpoint on the Capitan Reef aquifer.

- III Presentation on City of Fort Stockton's water resource management plans by Raul Rodriguez
Mr. Rodriguez stated that everything was presented in the public hearing.

- IV Comments from Public and Media (limit 5 minutes per person)
Mr. Ed McCarthy said that Mr. Drew Miller had correctly reminded him that after a three year period passes without current Historic and Existing Use production permits being challenged, that they are valid. And that there are seven different points set forth in his letter dated October 23, 2012 he encouraged the Board to review.

- V Consider and/or act upon City of Fort Stockton Drilling Permit Application

Evans Turpin made a motion to grant the City of Fort Stockton's drilling permit application for a test well into the Capitan Reef aquifer. The drilling permit is subject to the following conditions:

1. To cement and to test the cement all the way down to the top of the Capitan Reef aquifer.
2. Prior to drilling, replace all non-functioning meters on the city's existing wells and on the test well.
3. Set surface casing at least 50' below the Edwards Trinity aquifer.
4. Prior to drilling, require receipt of TCEQ's approval of well designs and specifications which should be submitted to the District prior to drilling the well.

A point was made that the drilling permit is valid for 120 days to start the well, but if a longer time is needed, they need only to ask for an extension.

The motion was seconded by Ronald Cooper. Motion carried.

VI Consider and/or act upon Randy Braden Production Permit Application
The production permit is tabled and will be renoticed properly so that the aquifers match on the application and notice.

VII Consider and/or act upon McDonnold Operating LLC Production Permit Application

The application will be continued until the November posted meeting. The Board requested that relationships of all entities referred to in the application file be defined and need evidence of authority to produce water.

During the Public Hearing Weldon Blackwelder made a motion to continue the public hearing at the next regular board meeting. Seconded by John Dorris. Alvaro Mandujano, Jr. abstained from the vote. Motion carried.

VIII Consider and/or act upon Proposed Rule Amendments

President Honaker called an executive session at 3:09 PM for the purposes authorized under the Texas Open Meetings Act, V.T.C.A., Government Code, Chapter 551.071 to consult with attorney.

The meeting reconvened into open meeting at 5:13 PM and Mr. Honaker stated that no decisions were made in executive session.

Mike Gershon had the floor to explain the rules that will be amended or adopted and they are shown in their final form as follows:

RULE 4.8 CONTINUANCE

Unless provided otherwise in these Rules, any meeting, workshop, or hearing may be continued from time to time and date to date without published notice after the initial notice, in conformity with the Texas Open Meetings Act.

RULE 10.5 MANAGEMENT ZONES

(e) To facilitate the comparison of realized drawdown to the thresholds of acceptable drawdown over time in the Management Zones the District will use the following procedures or actions:

(3) On or before [February 25, 2013](#), adopt after notice and hearing, the maps of 2010 Management Zone water levels as the 2010 benchmarks for future comparisons of water levels under these rules;

RULE 10.7 MEASURING AND REPORTING GROUNDWATER WITHDRAWALS

(c) Exempt wells:

- (1) An entity holding a permit issued by the Railroad Commission of Texas under Chapter 134, Texas Natural Resources Code, that authorizes the drilling of a water well, shall report monthly to the District:
 - (A) the total amount of water withdrawn during the month;
 - (B) the quantity of water necessary for mining activities;
 - (C) the quantity of water withdrawn for other purposes.
- (2) The owner and operator of a well exempt under District Rule 11.3(a)(2) are jointly responsible for filing a monthly report to the District that reflects the total amount of water withdrawn during the month.
- (3) The groundwater production from wells subject to reporting under this Subsection (c) must be measured by meter or alternative measuring method approved under this Rule 10.7.

SECTION 11. GENERAL PERMITTING POLICIES AND PROCEDURES

RULE 11.4 HISTORIC AND EXISTING USE PERMITS

The District recognizes the validity of Historic and Existing Use Permits granted under the District's rules and will continue to recognize the rules and procedures applicable to a Historic and Existing Use permit existing at the time the permit was granted. The District no longer accepts applications for Historic and Existing Use Permits because the deadline for filing Historic and Existing Use Permits has past, and the application procedures and the Historic and Existing Use Permit permitting process are now obsolete. Historic and Existing Use Permits are subject to the transfer, renewal, and permit amendment provisions set forth in these rules.

SECTION 13. WELL LOCATION AND COMPLETION

RULE 13.1 RESPONSIBILITY

- (a) After an application for a well drilling permit has been granted, the well or wells, if drilled, must be drilled within a reasonable distance of the location specified in the drilling permit, and not elsewhere, provided, however, that spacing restrictions be met. If the well or wells are drilled at a different location, the drilling or operation of such well may be enjoined by the Board pursuant to Chapter 36, Texas Water Code.

(b) As described in the Texas Water Well Drillers' Rules, all well drillers and persons having any exempt or nonexempt well drilled, deepened, or otherwise altered shall adhere to the provisions of the rule prescribing the location of wells and proper completion. Each and every exempt and nonexempt well shall be completed in accordance with all statutory and regulatory requirements applicable to the type of well required for the purpose of use authorized under the permit. The well driller of any exempt or nonexempt well shall file with the District the well log required by Section 1901.251, Texas Occupations Code, and, if available, the geophysical log and electric log.

Evans Turpin made a motion to adopt a Board resolution that reflects the following items:

1. The Districts commitment to implement rule 10.5 and set a deadline for establishing aquifer level benchmarks on February 25, 2013.
2. The Districts interest in collecting information of pumping from wells and drilling wells that are exempt under rule 11.3(a)2 and to secure compliance with well completion requirements, and the requirements to file logs on exempt and non-exempt wells.
3. The Districts commitment to recognize the validity of the *Historic and Existing Use permits* previously granted.

My motion contemplates that our legal counsel and the general manager will complete the Board Resolution and that it adopt these rules and appeal certain rules as reflected in the attachment that Mike Gershon just read. I'd like to propose with this motion that the resolution be signed by the Districts Board President and Secretary when it is completed.

The motion was seconded by Weldon Blackwelder. The motion carried.

IX Consider and/or act upon 2010 Benchmark Aquifer Levels in accordance with District Rule 10.5

Continued until our hydrogeologist is present at our next board meeting.

X Consider and/or act upon the 83rd JUDICIAL DISTRICT Court's action on pleas to the jurisdiction filed by the District and Defendant-Intervenors regarding Fort Stockton Holdings LP's lawsuit

On October 18, 2012, Senior Judge Stephen B. Ables issued a letter regarding cause #P-7047-83-CV Fort Stockton Holdings v. Middle Pecos Groundwater, et al. *"After reviewing the authority submitted, I deny the Jurisdictional Pleas raised by Defendants. I request the Plaintiff's attorney prepare an Order reflecting the Court's ruling and circulate it for approval as to form, prior to submitting it to the Court."*

Mike Gershon: The order reflecting the Court's ruling has been circulated to Mr. McCarthy, Mr. Miller, Melanie McKenzie, Tom Beard and I. It recognizes that there was a hearing and briefing by the parties on the jurisdictional issue and that the pleas are to be denied.

Ronald Cooper made a motion to prepare and pursue an appeal on the *timely filing* to the jurisdiction. Seconded by John Dorris. Motion carried.

Note: Ronald Cooper left the meeting after this agenda item at 5:35 PM. A quorum remained.

XI Discuss and review US Fish and Wildlife Service's proposed rule regarding the listing of six west Texas aquatic invertebrate species as endangered species

A public submission of comments was made to the US Fish and Wildlife Service on behalf of MPGCD by attorney Mike Gershon. The General comment:

The Middle Pecos Groundwater Conservation District (the "District") has jurisdiction to regulate aquifer levels and springflow within Pecos County, Texas. The District has been in communication with U.S. Fish and Wildlife Service and is vetting possible impacts to the Diamond Y springs species proposed to be listed that could stem from reduced aquifer levels, resulting in reduced springflow. It is the District's assessment that the scientific information relied upon by the U.S. Fish and Wildlife Service on the Diamond Y springs species can be improved upon. The District intends to evaluate the impacts to the Diamond Y springs species through its regulatory tools that are designed to protect water levels and springflow in Pecos County, including the Desired Future Conditions process set forth in Section 36.108 of the Texas Water Code, the District's Management Plan, the District's rules, its authority to minimize the reduction of artesian pressure under Section 36.116 of the Texas Water Code, and other authority set forth in Chapter 36 of the Texas Water Code and the District's enabling legislation. The District intends to continue the dialogue with the U.S. Fish and Wildlife Service and is committed to responsibly addressing the impacts to the Diamond Y springs species in Pecos County.

No action required or taken.

XII Consider and/or act upon Minutes of September 18 and September 20, 2012

Evans Turpin made a motion to approve the minutes of September 18, 2012, as corrected in the original minutes that will be signed. Seconded by Alvaro Mandujano, Jr. Motion carried.

Vanessa Cardwell made a motion to approve the minutes of September 20, 2012. Seconded by Merrell Daggett. Motion carried.

XIII Consider and/or act upon Accounts Payable and Treasurer's Report and Line Item Transfers for the Month Ending 09-30-2012

Vanessa Cardwell made a motion to approve the accounts payable and treasurer's report for 09-30-2012. Seconded by John Dorris. Motion carried.

XIV Consider and/or act upon USGS Joint-Funding Agreement 13CSTX174000000 for 10/01/2012 – 09/30/2013

John Dorris made a motion to approve the USGS Joint-Funding Agreement 13CSTX174000000 for 10/01/2012 – 09/30/2013. Seconded by Merrell Daggett. Motion carried.

XV Consider and/or act upon consulting agreement with ALLAN R. STANDEN, LLC

Merrell Daggett made a motion to approve the consulting agreement with ALLAN R. STANDEN, LLC. Seconded by John Dorris. Motion carried.

XVI Consider and/or act upon General Manager's Quarterly Report

General Manager Paul Weatherby presented his Quarterly Report to the Board.

Evans Turpin made a motion to approve the Quarterly Report. Seconded by Alvaro Mandujano, Jr. Motion carried.

XVII Consider and/or act upon Guidelines for Tax Abatements Policy
Evans Turpin made a motion to continue with the *Guidelines for Tax Abatements Policy* that is currently in place. Motion seconded by Alvaro Mandujano, Jr. Motion carried.

XVIII Consider and/or act upon Progress Reports: Well Registrations, Production Permits, Drilling Permits, Data Loggers, ongoing Water Quality Analysis and Legislative Update

- Well Registrations: Progress report included in their notebook
- Production Permits: Tabled McDonnold and Braden. Production permit applications in progress are two water stations, a Coyanosa farmer, Schyler White, and a few other water stations are possible
- Drilling Permits: City of Fort Stockton permit granted today.
- Data Loggers: Increasing our monitoring system and consulting with Texas Water Development Board.
- Water Quality Analysis: Continuing.
- Legislative: Upcoming legislative session in 2013
- Oilfield: Rigdata report for 10-14-2012 shows 6 wells in Pecos County

XIX General Manager's report on incoming Groundwater District-related Correspondence

- Aquifer Group has requested a meeting with Pecos County agencies. The meeting is scheduled for November 8th at 1:30 PM at the Pecos County Courthouse. Regarding the Hovey Trough water.
- TAGD meeting scheduled for October 30 & 31 in Conroe.
- Capitan Reef Aquifer forum to be held October 25th at the Pecos County Courthouse from 11:00 AM - Noon.

XX Consider and/or act upon Agenda for next meeting
Production Permits for McDonnold Operating LLC and for Randy Braden.

XXI Adjourn Merrell Daggett made a motion to adjourn, seconded by John Dorris. The motion carried, and the meeting adjourned at 6:17 PM.

M. R. Gonzalez, Secretary/Treasurer

Glenn Honaker, President

Date Approved _____

Attachment A

Public Hearing on the City of Ft. Stockton Drilling Permit verbatim.

Glenn Honaker: At this time I'll call this public meeting of the City of Fort Stockton drilling permit application to order. The date is October 23rd, the time is 10:04 AM. As I said, today we've got the drilling permit for the City of Fort Stockton. I am Glenn Honaker and I will be the Presiding Officer on this hearing. This hearing will be governed by applicable statutory law, including the District's enabling act, Chapter 36 of the Water Code, Chapter 551 of the Texas Government Code, the District's Rules, and all other applicable Texas law.

This permit hearing has been properly posted. Let the record show that we do have a quorum of the Board present today.

First item, we need to take appearances of the parties for the City of FS. Who will be making appearances for the City of FS?

Raul Rodriguez: Raul Rodriguez, City Manager.

Stephan Schuster: For technical information, Stephan Schuster

Allan Murphy: Allan Murphy

Those will be representing the City of FS on the drilling permit. Are there any protestants for the City of FS on the drilling permit? Mr. McCarthy?

Ed McCarthy: We are here to make public comment Mr. Honaker.

Glenn: Oh, Public comment only. Anyone else? Since there are no protestants we will be able to proceed with this as an unprotested uncontested hearing. Which is simpler some times. At this time Mr. McCarthy if you would like to go ahead and make your comments since they will not be recorded as part of the record.

Ed McCarthy: Good morning, my name is Ed McCarthy, I am an attorney from Austin and I am here on behalf of Fort Stockton Holdings LP and would like to make some comments on the City of FS's drilling permit.

We are not requesting party status at this time because this is only a drilling permit and we are only making public comment for 2 purposes. To present some issues for the Board's consideration to issue this drilling permit (WS 4:40) and because there was previously a combination drilling and production permit - and we didn't say anything at the drilling stage - it was noted that we just quote lay in wait until we got to the

production permit and we would like to let everyone know that we are interested in this permit and following it. We hope the comments we give are beneficial.

With respect to the drilling permit, there are several things. This permit is for the Capitan Reef. This is a unique aquifer for this District, I am not aware of any other permit applications that have come before you for that aquifer. And certainly not one that is of this significance is intended to be based upon published reports. The application is for a single permit. That is interesting with respect that what kind of test information will be available as the District historically has required more than just single test permit wells for significant production. So I want to make sure the District considers at appropriate times and advises the applicant that there may be a need for more than one well, and what the specific requirements for a production permit are with respect to hydrogeological requirements and testing will be so that the District is aware, and the public is aware, the applicant is aware. There is obviously going to be a need for a hydrogeological study in connection with this.

There are questions related to the amount of property involved and what kind of criteria the Board is going to apply on per acre production rate. The discussions from the City of Fort Stockton, and representations by its City Manager, have been that there are discussions with the City of Odessa, do a contract with the City of Odessa and transport this water to Ector County for the cities use. The numbers the City of Odessa have published are in the 50 thousand acre foot per year range. Based upon the file that we have obtained - and told that it is the entire file that the City of FS has with the District, it shows that they have 640 acres in two different tracts, a single section. At 50,000 acre feet per year that is almost 80 acre foot per acre production rate. At 10,000 acre feet per year that over 15 acre foot per acre production rate. That is a rate this District has not allowed. It is not necessarily a rate that we object to or say you shouldn't allow. We just want it to be known and be considered and everybody come into this with their eyes wide open.

With respect to the test well, there is nothing in the application that tells you how much water is going to be produced as part of the testing. Effectively it is for an unlimited amount of production for an unlimited amount of days. It says the depth that they are going to go down, but it doesn't tell you what kind of tests or how long the duration or any of that information. So there's a question regarding quantity. There is also a very serious question regarding the quality of the Capitan Reef which can be brought barely within drinking water standards, with high excess tds' that exceed ocean salinity levels. Disposal is a problem. You can't just dump that on the ground. Texas Commission Environmental Quality requires some kind of discharge permit qualification. There is no evidence in this permit application, that the applicant has such authority or means for disposal of this. I am not saying that they don't, but this District has previously required

as part of these applications that the applicant should have all their permits in a row that are needed to move forward. You issue the permit before you present the evidence prior to actually drilling/testing/disposing, again, I just wanted to raise that issue for you to consider.

Again, we are not opposing this. We believe that people ought to produce water. We think the idea of the city producing water and coming forward in trying to work with areas such as the city of Odessa are beneficial and that is something that is to be supported. We did want to bring these issues to your attention and ask that you consider those as part of the permit process. We look forward to getting more information as the process continues. Thank you for the opportunity this morning. (WS 400062 08:48)

Glenn Honaker: Thank you Mr. McCarthy.

Ed McCarthy: Mr. Honaker, I apologize, but there is one last point. Your management plan and your DFCs for the Capitan Reef are only 11,000 acre feet a year and it is something you need to consider in the permitting process. How much water can be produced under your rules and your management plan and the GMA 7's DFCs? Question number one. And then if the application is for 10,000 or 50,000 acre feet, are you going to give the entire aquifer to a single applicant? I know that's been an issue that you have struggled with.

Paul Weatherby: Ed, I'm sorry, I missed that last part.

Ed McCarthy: If your authorized Managed Modeled Available Groundwater not to exceed your DFCs is 11,000 acre feet. And you don't have a production permit in front of you, so you don't know what they are asking for, but the numbers that have been talked about are in the 10 to 50,000 acre foot per year range. That exceeds that number. So would you be giving the entire allocation of that aquifer to a single applicant? It is something to consider. Thank you.

Glenn Honaker: At this time we will proceed with our hearing. (WS 400062 10:19)
Paul would you like to allow the applicant to present?

Paul W: I would like to give the general permit application information, then he can proceed after that. The city of Fort Stockton submitted a drilling permit application to me on 9-28-12. The city manager Raul Rodriguez presented it. You should have a copy of this application in your folders. The well is approximately 10 miles southwest of Fort Stockton on the old Alpine highway in the Belding area it is on the east side of the

southern intersection of FM 2037, the old Alpine highway. I have maps of the location in my folder, and you should have one in yours.

The proposed range of well depth was listed on this as 2500 to 4000 feet deep in the Capitan Reef. It is about 150' west of the property line. The proposed use of the well is for a test well estimated about around 2500 gallons per minute out of the Capitan Reef.

You can refer, you should have this map in your packet. If you don't it is because it is the second map that was delivered to me. I didn't look in your packet to see if you have this specific map. (A voice: Paul I have this one.) That one still shows the location of the test well. The second map that was delivered to me later by Mr. Rodriguez, I'll get this one to you - primarily it wasn't needed for this application. It is kind of in line with what Mr. McCarthy is talking about, this map will be important in the production application phase of the process. But, that is the location of the test well on the map that you have.

Notice of Intent was submitted to me on 10-01-12 for a test well. I have from the appraisal district verification that the city owns the property on which they are drilling the test well on in my packet. And of course, as Mr. Honaker advised, the notice of the drilling permit application was posted on October 11. And the land owners, I have a list of neighbors of the neighboring lands and etcetera that I mailed the notice out to that this tells them this test well is being considered.

Jr. Mandujano: I have a question, on this map, is this north?

Paul: Well the way the old Alpine Highway runs, I would call it north. It's where you are driving down the old Alpine Highway and you turn to go to the interstate and then you are going north. I'll be glad to circulate this bigger picture if you'd like. It shows where the state prison is, it shows Belding Farms, Mesa Farms, etcetera if you all want to look at it. By the way, they were ?. (WS400062 14:38) I have other maps associated with this application that I did myself to show locations, like water wells in the general area. I was only required to provide the map of where they want the test well. I made the others for my information with some other maps. Just pass it around and send it back to me.

Also, I put in your folders - it is labeled "Draft Technical Bid Package" it gives you, I want to - this is on the test well - if you look at the second page, it is stated "Bid Proposal 00 41 43-1 if you'll notice right in the middle, I don't have a problem with this I just want to make you aware that as part of the application process, it says *Base Bid - Raw Water Supply Wells Phase 2 - Ward County North Well Field*, I feel like they will be able to explain later if you have a question on that. Whether they are drilling the test

well here or over there, it is for the same reason, the same purpose, as a test well, so I feel like they just ran copies of that and submitted it to me, but it is not for the Ward County North Well Field. It is for the test well at Belding. I just want to be sure the minutes reflect that. It gives a summary of the supply well construction on the first two pages - three pages. They will be talking to you about how they're going to protect the fresh water zones etc. and what they are going to do with the water. They will be able to answer those questions. Water quality, test pumping, video survey, that is in that first stapled section of the bid package.

The second section, I took excerpts out of their whole bid package, which was this thick, on my own basis, I pulled - several of you all had called me asking questions about this test well, how they are going to deal with it, and you know this is just my information that I put together. On this page that says, down at the bottom, 33 21 00-8 if you want to turn to that page, the casing cementing plan per say is listed at the top on 1.8 a the fluid testing, what they are going to use on the drilling mud or if they have to use anything special they'll be providing that information to the city and to us as they drill the well.

The second page is 33 21 00-10 some of you may question why - I hope no one laughs at it, the question, and I highlighted this was the blowout preventer information (18:43) The reason I highlighted here in my packet 2.2 is because in speaking with people in the oilfield, which I have spoken with 3 different drilling companies that have drilled oil and gas wells through the Capitan, they have had various problems. Out here west of town in what we call the Apache area west of the airport on the Riggs country, one time they drilled into the Capitan and it blew 200 joints of tubing and tools out of the hole. Another guy that drilled into the Capitan north of here across the river in Ward county, I was talking to him and he said when they drilled into the Capitan when they drilled through the bottom of the Capitan there was a void - a suction that took the Capitan south, that's what I call it. I'm not saying that will happen here. I'm just trying to find out about drilling into the Capitan. Then there are 3 wells south of town that were drilled into the Capitan that watered up, and they quit and abandoned the hole, they left it for the rancher and that water pressured up to about 140' from the surface, it did not flow out. But it did come up fast. It stopped at about 140 to 160 foot.

I know Mr. McCarthy you mentioned you didn't have any information on the Capitan production permits. We did have some from Enstor WAHA on some artesian well in Coyanosa. Today you can go over and check, the pressure gauges are 204 to 206 pounds at the well heads. If you were to go look at them today on those Capitan wells that they are producing from. So you have different things happening in the Capitan across from the southern part of Ward county to down here. So that's what I thought, I hope they are ready in case something happens, to not lose control of the test well.

The next page 11, goes back to the drilling fluid constituents, I am comfortable that they are not going to harm any of the fresh water supply or anything else while they are drilling it, but they will have record of the constituents that they are using.

(21:32) Current records, section D and E, drilling fluid logs etc. The second, the next page, page 21 *Zonal Water Sample Collections*, they say they will do that and get water samples of the water zones that they hit.

Page 25, *Video Inspection* whenever they get all the pumping and testing equipment out of it, they are going to do a video log of the well, which we will have a copy of it.

Page 26, *Well Abandonment* I don't expect a problem with this, but I know that if they have to abandon the well that it will be properly plugged per the guidelines. I don't have a problem with *Wellhead Completion*.

There are some samples provided by Daniel B. Stephens & Associates of a typical well. He doesn't know what this test well is actually going to be, but it does give you a typical well of the Capitan Reef for your information.

Now then, I will have a question on protecting the zones. I'm not the hydrologist, he couldn't be here today, I am sorry for that, but I want to make sure that - it doesn't say in here that the Rustler formation will be cemented off as it does the Edwards Trinity. But it does say they will cement off and protect the fresh water zones. They just left the word Rustler out of there. I feel like the Rustler formation is there and it does show it there on this well schematic, but in the draft it didn't say they would seal them off, I expect they will cement off all fresh water they find in this fresh well. I don't have a problem with that. I have just provided you all with this basic information on the Edwards Trinity that the water development board has. You'll see on the first page that the saturated thickness overall can be greater than 800 feet, but it averages around 400 to 430 foot over a tremendous area. That shaded area is the Edwards Trinity. It varies with where you are at. I apologize when you go through your packet, you'll see, I think Mr. Schuster has this to present also, you'll see a cross section of basically what the Edwards Trinity is. I provided the same thing on the Rustler, it shows basically it goes from 250 to 670 feet thick depending on where you are at. I don't know what's going to be in the test well, they don't either. But, they are prepared to cement off and there is a schematic of that in your packet. I don't know about the Dockum, but if they find it they are going to protect it. Then there is other information in there. Then there is one on the Capitan in your packet. It goes about as much as 2360 feet of limestone, I don't know what they are going to get into. They'll know eventually should this permit be granted. (25:40) I have a water quality report on Capitan Reef that was taken by the Water Development Board, and I got Janet to help me do my computer and get it ready,

I thought these pages were going to be separated and they are all combined, so I can't read it without a magnifying glass. They are in there, and I can work on that later if you want me to.

This, I noticed, is incorporated into the Daniel B. Stephens report and has to do with the aquifer area in Pecos County, the zones, it has a lot of information on this one particular document. It should be by itself for a packet. Then I have draft portions of the report that Daniel B. Stephens submitted to the city and they will be going over this on the drilling, it gives you a lot of hydrogeological information and certain elevations, etc. A cross section of what they are looking at drilling through is in that report, and I'm sure they will go over this report in a little bit from a more professional standpoint than what I am. Again, that same chart is attached to the Daniel B. Stephens that is provided also, so you have two copies of that. Now, I have basically the same questions and we'll address them as we go through the day. But unless other information is brought forth that I am not aware of that I didn't think to ask, or didn't know to ask - you know I always try to make a recommendation to the Board. I understand that the water is going to be pumped in a 20 inch line that comes to town with fresh water and into the city plant to see what the results to treat this water, how much brine water - I call it brine water - wastewater is going to be generated on x number of gallons produced from the Capitan into the line. I will have to ask the City if they have a upgraded to know how many gallons of water is in that line. They have well #2, the city will clarify this, they have at least 3 wells available to pump into the city water system as they have for years. They are in the process of completing, I believe they call it well #5 which they used to have in production but they ran into problems and they are trying to fix that well. So well #1, 2, 5 and 6 eventually will be the regular water supply to the city of Fort Stockton down that 20" line. To my knowledge they haven't had working meters on these wells in the last few years. I've asked them - they gauge their water production on the tank volume and what has come into the plant. I urge on this drilling permit - I recommend that it be approved, but I want to make sure that we know what fresh water from each well is being contributed into the pipeline along with the actual production of the Capitan Water. Does that make sense?

Vanessa Cardwell: Are you saying that they are going to put the fresh water that they are already pumping with the water from the Capitan?

Paul W: From the test well, yes. I don't know the overall plan that the city of Odessa and Fort Stockton have in production and export and all that, I don't know.

Vanessa Cardwell: Right. They want to combine what is already doing plus what they are pulling on the test well and into the pipeline and to the plant.

Paul W: Right. (WS400062 30.27)

Jr. Mandujano: Will we be able to ask them any questions?

Paul: Yes. I am just presenting what I have.

John Dorris: I've got a question. If you want a meter on that, you can just tell them to put a meter on there.

Paul: That's what I am saying, I've had this discussion with - I've had this conversation going on now with the third general manager. I am not throwing rocks, I am not being ugly, but I started out with Chuy, and I went through Rafael, and me and Raul have discussed it several times. There are budget considerations, and I understand the problems the city has had. But now that we are getting into an actual business, and they are not opposed to this, I'm not throwing anything out that is a surprise to anyone, I want a meter on each fresh water well including the Capitan well, which they will. They can't conduct their test without it.

Vanessa C: Is there a timeline that you want?

Paul W: On the drilling permit?

Vanessa C: No, for them to get their meters on the wells.

Paul W: Well, before they pump that well.

Vanessa C: Before they pump anything out of the ground.

Paul W: Before they pump into the 20 inch pipeline, I think it is necessary. If they can show it is not necessary, I'd like to hear it.

Jr. Mandujano: So if I read it right, they will be using air to test the volume of water coming out. Aren't they scared about it leaking out?

Paul W: I have no idea, you'll have to ask the engineers on that. Do you have any more questions for me?

R. Cooper: Paul, who will monitor the setting and cementing of the surface casing, will it TDLR, TCEQ or the Railroad Commission?

P. Weatherby: The TDLR regulates it, but TCEQ has a big hand in it because of permitting for potable water well.

J. Dorris: Who will be there to witness it?

P. Weatherby: You'll have to ask them. I could witness it - but I wouldn't know what I was looking at.

J. Dorris: I can tell you what you are looking for, so can Harvey, and Weldon can, Evans can.

V. Cardwell: I don't know if I ask you or need to ask them, but it talks about in their stuff that Daniel B. Stephens submitted - it talks about there are 8 other wells out of the Capitan, but there is only one and it is one that Glenn has. In reference to what was mentioned earlier about the 11,000 acre feet per year is what we allow and they are asking for 10 and he's producing 1200.

P Weatherby: The figures that I heard, I call it guess work. They are going to drill the well. I attended the Odessa Development Corporation meeting with Mr. Rodriguez, and they are like if they can work - I don't want to get away from the drilling permit application - they are looking at 10 million gallons a day to start with, if the process goes through to a new pipeline. But I don't want to get into all of that, it's just not the right time to do that.

V. Cardwell: No, I am just asking about what they have submitted to us, what they have here.

J. Dorris: Paul,

P. Weatherby: Let me answer her right quick.

G. Honaker: To start with, I want to clear up one thing - that is not Mr. Honaker's well, that belongs to Belding Farms.

V. Cardwell: Oh, OK. Well it just says your name.

P. Weatherby: Yes, Cockrell Investments - on the Daniel B. Stephens report, it needs to be made clear that the producing Capitan Well belongs to Cockrell Investments. And I believe Fort Stockton Holdings has a Capitan well. Oh well, he is shaking his head no. It's out of service or doesn't have one.

J. Dorris: I am concerned about the cement job on these wells. The cement back to surface. Are they aware that sometimes on a deal like this that whatever can go wrong will go wrong before you are through and it can cost a lot of money.

P. Weatherby: Ok in response to that, and John has mentioned that to me before, I am talking out of my area of expertise - is there a cement bond log going to be produced?

S Schuster: Yes sir.

P. Weatherby: Ok, because I didn't see that in the draft bid packets. If a bond log is produced, then that will answer that question.

J. Dorris: You'll run a cement bond log after every cement job.

S Schuster: Yes sir.

J. Dorris: Do whatever you have to do to get cement to the surface.

S Schuster: Yes sir. That is our primary concern. We share that exact same concern. I appreciate the emphasis of cementing off all the above units.

J. Dorris: It is an expense, you will need to. I used to do that for a living.

P. Weatherby: Let's have this discussion where everybody can hear it. Is there any more questions for me? I have gone over this application packet with our attorney, it is administratively complete for a drilling permit. (WS400062 36:07)

G. Honaker: Thank you Paul. At this time we will take testimony from the City of Fort Stockton. I will need to swear in whoever is going to give testimony on behalf of the City for this drilling permit application, I will need to swear you in, so, probably be best if Raul, Stephan, Alan all be sworn in that way we've got you covered. If y'all will stand and raise your right hand, do you solemnly swear the testimony you are about to give before this Board is the truth and nothing but the truth so help you God?

All three said yes.

G. Honaker: Thank you. Raul the floor is yours.

P. Weatherby: You talk pretty low, so you may have to turn the volume up.

R. Rodriguez: Can you hear me? That's good, ok. Thank you gentlemen and good morning, thanks for the time for hearing us. The city of Fort Stockton is in fact putting in this application for a test well. This is in conjunction with a bigger project that we would like to work on but it is still exploratory I know that when you listen to the media it sounds like we are ready to ship water tomorrow, but that is just not the case. Like I said we are still in the exploratory portion of the project and that is the reason for this test well, to get some data. Based on the hydraulics study and everything we've looked at there are very few wells in the Capitan Reef and this is an opportunity based on our preliminary studies that does show some promise. So if it is enough for the City of Odessa to want to spend some money to see if those preliminary studies are true and can we access this water and not affect the Edwards Trinity. So that is what we are looking at with these studies. Yes it is the city's intention to be able to sell some of the water from the Capitan Reef to the city of Odessa, but we are just not at that point yet to be able to say let's get this done and let's move forward. There is still a lot of information that needs to be gathered. I know the comment about the limit that is on your rules for the Capitan from what I understand is based on data that you have, so our main concern is provide the Board with more data. Yes we have considered the possibility of a couple of test wells to be able to check pressures - drawdowns - so that is something that is being considered. For the time being we simply have this preliminary arrangement for one test well with the city of Odessa.

As far as the precautions, we understand completely the negative effects that it might have with cross contamination so that is one of the top priorities. As far as our well design, there is some redundancies as far as casing and grouting to make sure that our fresh waters are protected all the way down to the Capitan Reef. That is going to be one of the questions about observing, and everybody on the Board is welcome to be out there. I understand it is going to be a lengthy process but the city of Fort Stockton is not opposed to having the Board there present, observing, and giving their input. (WS400062 41:09). You said you have been this line for many years, so your expertise would be helpful. That's where we are. We would like to proceed, but it is one step at a time. I want to make sure the Board gets the data that they need to make a sound decision. This is not something - sure the city of Odessa might be a little pressed as far as the timeline goes, but the actual process of going through this is time consuming, and there isn't really any part of this you can rush. So we have to take the appropriate steps and get the appropriate data to make the best decision, the most informed decisions. That is where we stand right now. For any technical questions we have Alan and Stephan here to help answer any of those questions. That is pretty much the meat and potatoes of it. There was a question about the metering, that has been in the works and we are trying to finalize automation of our upgrades that we have done to our plants and that did include the meters at the wells. We will have our automaters of the program here tomorrow and we are hoping to finalize that to where we will have

operating meters at the wells, but yes, it has been our intention to meter from the exact well site and not just what is coming into the R O plant, so that aspect of it we are working on right now. I'm trying to think of any other questions that were asked.

E. Turpin: Do you already have a drilling contractor in mind?

R. Rodriguez: No sir, that is out for bids right now for, I believe, another week. About the beginning of the month is when we will get the bids in. We'll see from there, based on budgetary constraints, we'll determine the actual size - width of the final well. Other than that we are just waiting for those final numbers to come in.

J. Groth: Mr. Rodriguez, you talked about the meters at the well sites, are there meters at the well sites right now?

R. Rodriguez: The meters that are there now are inoperable. So we are replacing those.

J. Groth: So you don't have operating meters at the wells right now?

R. Rodriguez: No we don't, that is correct.

J. Groth: And what are your plans for replacing those, what is your timeline?

R. Rodriguez: We are working on that now, so we should have that done before we evening start drilling. We should have those wells - what we are doing is getting those meters on the SCADA system so that we can get the radio read, get it back to the plant and get real-time readings on those meters. Those should be in place before any drilling starts.

V. Cardwell: But what is your time line? November? December?

R. Rodriguez: Tentatively we are looking at getting a contractor chosen by the first week of November. The rest is going to depend on finalizing an agreement for the cost of the test well with the city of Odessa. I am assuming we will have that in place by the end of November. That timeline. So at the earliest I see drilling starting at the end of November.

J. Groth: OK, I want you to clarify something for me. You have meters at the well sites that would work but they are not hooked up to a system to measure them, is that what you are telling me?

R. Rodriguez: No ma'am. The meters that are sitting there are the old ones. They just don't work.

J. Groth: They are inoperable.

R. Rodriguez: Yes ma'am. We are replacing them.

J. Groth: So you will replace them with new ones, and you have that in your budget, you have gone out for bids for them or whatever the process needs to be, and they will be replaced and when do expect those new meters?

R. Rodriguez: Those should be operating this November once we have the final automation done. (WS400062 45:46)

P. Weatherby: Not to beat a horse to death, but unless someone has an argument or more information on this - as General Manager I don't think that this permit - that any production be put in to the 20" line unless those meters are working accurately on all the wells. Is there a problem with that?

R. Rodriguez: No sir.

P. Weatherby: I don't know how else to ask.

R. Rodriguez: No sir, not from our stand point.

A. Mandujano, Jr.: Last month you said the plant is capable of handling 8,000 tds parts per million, I assume, I'm not a hydrologist or anything, but just me guessing, I would say that the amount is probably going to be higher than that. Are you ready to equip your R O plant to handle if it does produce 10,000 parts per million? (WS400062 46:48)

R. Rodriguez: If it get above 5,000 tds then this project is really not feasible for the city of Odessa. Anything above that then this project is pretty much dead in the water.

A. Mandujano, Jr.: Over 5,000

R. Rodriguez: Yes sir.

P. Weatherby: And I'm sure, I don't know if Daniel B. Stephens is going to address this or not, either I haven't received it or we just haven't got to it yet, but is this test well going to be from start to finish being considered as a potable water source? And if so, has TCEQ approved everything?

R. Rodriguez: The answer is yes and yes. It is a test well but we are going to build it to potable water standards. Because of the expense, we can't go back in there and try it and get it up to standards afterwards, so we have to - be done that way from the beginning.

P. Weatherby: I am sure the Board would like to have that document in front of them with this drilling application. Because we haven't seen it. Do you have it in hand today?

R. Rodriguez: The document of what?

P. Weatherby: TCEQ approval.

R. Rodriguez: No sir. No, because it is a test well, they will get involved when we want to turn it into a production well. That's when we will get the permit.

S. Schuster: They will permit it after they do a final inspection. There is no previous permit required.

P. Weatherby: So for some reason should they deny this as a potable water source, what are you going to do?

R. Rodriguez: Then we are stuck with an expensive well. If it can't be used then it will have to be plugged.

M. Gershon: There is a process for getting your design and specifications approved by TCEQ, and I understand that you are in the process.

S. Schuster: That is in the process of being filed. The design and spec's are being filed. (49:09) They are not final.

M. Gershon: Will you secure approval before you drill?

S. Schuster: Absolutely.

G. Honaker: Can we get a copy of that?

S. Schuster: Yes sir, absolutely.

A. Mandujano, Jr.: I've got a question and this will be directed at Paul. Where the wells are at for Enstor south of 1450 that is also the Capitan Reef, what are they testing at? 12,000? 18,000?

P. Weatherby: I didn't bring any of the information with me, I am afraid to put a figure on record but it was way up there...12,000, 14,000

A. Mandujano, Jr.: And that is the same aquifer.

P. Weatherby: Yes.

J. Dorris: I've got a question, worst case scenario, if TCEQ didn't approve this well and you had to plug it, would you be willing to plug it - cement it from top to bottom, to the surface with solid cement in order to protect the integrity of the fresh water zone?

R. Rodriguez: We would have to.

M. Gershon: You are not going to drill until you have approval from TCEQ.

R. Rodriguez: That's correct.

J. Dorris: So you are not going to drill until you have approval. My understanding that you were going to drill prior to getting approval because you couldn't get the approval until you drilled the test well.

S. Schuster: The approval of the design specs. But there is no permit that is given, they just give a nod on the design.

J. Dorris: When will you have that?

S. Schuster: Within the next few weeks.

J. Dorris: I would think we would want that in hand before they do.

P. Weatherby: I would like to add something to that which is just general discussion between me and Rodriguez in the past. If the Capitan Reef, for some reason, would not be compatible for the project, there is nothing wrong with the city coming back since everything is cemented off properly and plugging off to have an additional water supply well in the Edwards Trinity at some time in the future. I'm not trying to add more information to this overall project that we don't have information on, but should things go south on them down deep - as far as cementing from top to bottom - they may not as things develop, they may just take off and have a new city water well.

J. Dorris: Well, I'm not disagreeing with you, that would be fine, to set a good plug and do everything they are supposed to do and then produce fresh water where we can

monitor it - but if they are just going to just plug it and drive off and leave it and not ever go back in, you would want it protected.

P. Weatherby: Right. That is in this draft package. What is not in the draft package is that if things really go bad for them - they may still be able to get some good out of it and wouldn't cement to the top.

J. Dorris: I just want to protect the fresh water.

W. Blackwelder: What is the best guess on the raw water being pumped from the 3 wells from the Edwards Trinity today.

P. Weatherby: 6 to 8,000 acre feet a year. Correct Raul? Is there about 6 to 8,000 acre feet a year off of your existing wells? That estimate comes from 2 areas. The tank level gauges of some way the guy reads the tank levels at the city plant and of course off their sales of the water piped through their system.

W. Blackwelder: In other words the 3 wells that are active today, are they running 24/7?

R. Rodriguez: No sir, we alternate them. That is why we are trying to get the 4th one up and running. When one goes down then the 2 that are left are pretty much running 24/7. With the 4 we are able to shut 2 off and run 2 and alternate them that way. At the peak use in the summer we've got at least 3 running.

P. Weatherby: And you have never run short of water.

R. Rodriguez: That's correct.

W. Blackwelder: Yet they are reenergizing number 5 well?

R. Rodriguez: Yes sir, we had a broken shaft and a broken pump, so we are getting that rebuilt.

P. Weatherby: (53:55) I asked Raul, "*Is it by coincidence or on purpose that they are reactivating Well #5, and his response was because his city water manager Manuel thinks they might just need more water in Fort Stockton, whether they do the Capitan Well or not*". So I don't want to put words in anyone's mouth, but it like a coincidence that they are reactivating well #5, it is not for the specific purpose of the Capitan project. It's just their field manager said "*Hey, I think we need to add us another well*". Is that right?

R. Rodriguez: Yes sir, that is correct. He is not comfortable with the 3 wells.

J. Groth: Clarify for me, you have 3 active wells and you are rejuvenating a fourth one, so why do you say 5?

P. Weatherby: Well it's called well #5.

J. Groth: It is well #5, OK.

P. Weatherby: The reason it is messed up and confusing, is because there are some city wells registered with us that are at the Lynaugh Unit the prison, well numbers 3 and 4.

V. Cardwell: So Manuel said we need to get number 5 working again because we may just need another well. We haven't needed it all this time but now all of a sudden we may need another one because he feels uncomfortable.

P. Weatherby: Two wells provide the majority of the water for the city of Fort Stockton. One other well has been a back up like a July and August just to keep the tanks levels up. Now Manuel wants that other well up.

R. Rodriguez: We need the redundancy we don't have - in the peak summer months we have the 3 wells running constantly. If one of them goes down we start losing elevation in the water tanks, so I can't say we don't need it - we have managed to get by with 3 wells, but that is why we need that 4th one up and running, to give us that redundancy.

J. Groth: It makes sense because if something happens to one of the major producing wells then you are covered.

P. Weatherby: There has even been discussions that if the Capitan, this well, this is just general discussions between me and Raul that if it works exactly right or exceed what they are expecting in a good way, that it would be cheaper to operate one good producing well than 2 or 3 little ones that they currently run. That is a management thing.

R. Rodriguez: Yes sir that is correct.

J. Dorris: Do you think it is alright to bring that brackish water up and mix it up with the fresh water?

P. Weatherby: On this test well.

J. Dorris: You think that is alright. That's all I wanted to hear.

Several people talking over each other for a few seconds.

P. Weatherby: It would detrimental then to mess up their system.

A. Mandujano, Jr.: I know this is all just numbers that ? ...OK, if I am doing my math right if they are pumping 3,000 gallons per minute, that is only half or less than half of the water, there is going to be future drilling I assume.

R. Rodriguez: Yes sir, that is correct, if it gets to that point, then we would need to calculate how many wells would be needed for the production phase. For now we are just interested in the test well.

A. Mandujano, Jr.: I you are going to make 10 million gallons per day, that would be over 7,000 gallons per minute wouldn't it?

R. Rodriguez: Yes, we are talking about at least 3 wells.

P. Weatherby: See I brought up this issue, you know I always try to give y'all the good, bad and ugly. I've done these figures, Raul has done them, he will address this in a minute, Daniel B. Stephens will, are we on this test well results it should still be for the Capitan Reef and not for our fresh water as far as I am concerned. But I understand that the test needs to be made through the plant on this test well - combining the water. But when it goes out to the city water plant which we are not going to address today, Glenn said to keep this conversation restricted to the drilling permit, you know that is a different story going out of the plant. When you have 3 or 4 fresh water wells going into the plant and 2 or 3 Capitan wells, whatever that is going to be. That is a whole different issue. I brought that up with the Economic Development company council in Odessa, Raul was there. This has all been in general discussion. There has been no other applications presented to our district on this whole project other than this drilling permit.

R. Rodriguez: I may on the test well itself, we are hoping to get somewhere in the 2,000 gallons range. That could sustain our plant through the winter months. We would only run that one well to get the information that we need as far as our operating costs - chemicals because that is going to directly dictate whether or not this entire project is feasible, so that is kind of what we are looking at in order of being able to use that well this winter time. Of course in the summer time it is not going to be possible there is not enough water, but for the winter time we can run strictly just that one well and get that data.

J. Dorris: OK, am I to understand the Capitan water is only going to come into the plant and blended with the fresh water for the testing process?

P. Weatherby: Yes, period.

J. Dorris: When that is over with then that Capitan water is going to have to go...

P. Weatherby: I don't know.

G. Honaker: We are not on that yet.

J. Dorris: That is what I was getting at, but it is still a concern.

G. Honaker: Raul, we have mentioned several times, and we are still talking about it, the tests. Can somebody explain what the test is going to consist of? How long are you going to pump it? What are you going to do with the water out of it?

R. Rodriguez: Stephan, you want to help me out on this?

S. Schuster: Good morning members of the Board, Mr. President, my name is Stephan Schuster with Daniel B. Stephens out of Austin. I am a hydrogeologist working for the city on this particular project. Thanks for your comment Ed, I think you highlighted some things that are important. It is a unique aquifer, that is the reason we want to do a test well and we mentioned in our report that there are 11 data points total which for an aquifer of this size and extent of the Capitan is actually rather sparse. The bottom line of entire report is there is not a lot of information and we propose to drill a test well to be able to answer some of the questions that the Board has asked here. (WS400062 01:01:49) I would be happy to address some of those and would like to kind of talk through the loop of the sequence, but I will start with the pump test.

We are really designing the well to meet drinking water standards. We are very concerned about sealing off the fresh water units all the way to the top of the Capitan, the Rustler, and the Dockum may or may not be occurring in the particular location we are going to drill to but they are units of concern because they can contaminate the water. We are going to have to hire a driller that is very competent in drilling through different types of units because we are going to going through limestone, going through evaporites (01:02:22) We are going to vary the drilling fluids as we go through the evaporites so we don't wash out the salts and contaminate the aquifer beneath.

The idea is to run a minimum of a 3 day pump test. Ideally we would like to have a 10 day pump test. Ideally from a hydrogeologist perspective we would like to not mix any

of the source water until we know what the source water is like. Our preferred method during the pump test is to surface discharge that water, there is a drainage to the west of the city's holdings that actually allows for surface drainage of that water. In looking at the Cockrell Investment well, we did run a preliminary rather comprehensive water quality sample. I have a copy for you Mr. Honaker, I will send you an electronic copy Paul that indicates that the TDS values we pulled out of the pumping well we were in the 11 hundred range. Unexpectedly fresh water so we were very very happy to see those initial results. We did not find any constituents of concern of a volatile organic component or a pesticide or radioactive nuclei component that would be of concern for doing any kind of surface discharge. So, we should be able to discharge our testing volumes during our 3 day pumping test through the surface discharge. There is an option and an interest to test that water in the system. The preferred method would be to use surface discharge so we know exactly the nature of the water coming out of the test hole.

We have heard the question addressed several times, we are extremely concerned that we seal off all of the upper units. There has been some discussions by various parties that have experience in this area, including ourselves, that existing wells may be compromised and may be mixing some of the water already and that it is not a pure Capitan source coming out of the well. We want to make sure that we design and build our well to be able to isolate the Capitan only to where we are exclusively testing the Capitan Reef aquifer. That can only be done with proper construction. We intend to cement, and test our cement, all the way through, through all the different casings all the way to the top of the aquifer to make sure that we have no contamination and no opportunity for leaking. That is really our primary concern. I am glad that the Board shares that concern. That is one of our primary issues, is how to protect the source. That includes during the drilling process because of the variability in the drilling fluids and mud that we have to use, we do have to make sure that we pump all of that out of the formation as well. We may have to have a bit of a contingency plan to actually capture those waters initially when we first pull them out. We may have to take those before we can actually surface discharge. That is all part of the plan. The reason you have a draft document before you, is we really were in a fast time line and the fact that there was an over sight of the North Ward County bid proposal sheet is probably part of the evidence of that. We expect to have a final addendum published by the end of this week including the contract documents for the bidders to have a final consideration. We will make sure the Board has a copy of that as well.

Obviously this a unique aquifer. There is not a tremendous amount of information which goes back to the need for the test well. We are really excited to share the results with everybody, and be able for the science and understanding the Capitan Reef aquifer in this area. We are concerned about the water qualities and is the reason we ran a major

constituency sample on the existing well to make sure that we weren't going to run into anything that might pose a problem from a disposal method and or a concern for public health.

I also wanted to address the item of the 11,000 acre foot DFC MAG number, because there is very little production in the Capitan Reef overall. That was already a generous guess in the groundwater management process of what is being withdrawn out of the Capitan. If this project does go forward and the test well is successful, there may be some kind of future application for permits that we would expect. We would also initiate a process for asking for additional pumpage out of the Capitan for that DFC number to be reconsidered in the next round.

J. Dorris: May I ask a question? You are asking about this dissertation here. I notice you have 600 feet of surface casing set, surface casing in your Trinity sand is 500 to 540 so you are going to have 60 feet below the bottom of the Trinity.

S. Schuster: In that size of casing, yes sir, that is casing string (WS400062 01:07:43) size. A casing string size will go below the Edwards Trinity.

J. Dorris: But only about 60 feet, correct?

S. Schuster: That is correct.

J. Dorris: Do you think that is enough?

S. Schuster: Yes sir.

J. Dorris: OK. Next question for you, is your 16 inch - why are you not going to case off the Rustler to keep from contaminating the Rustler with the Capitan?

S. Schuster: We are proposing to case off the Rustler, all the way through.

P. Weatherby: And the Dockum if it is present.

S. Schuster: Yes sir. We are basically going to pull casing string to the very top of - into the Capitan.

J. Dorris: So basically what you are going to have is you are going to complete the Capitan and open hole.

S. Schuster: That is correct. We will go with casing into the very top sections of ...

J. Dorris: So you are going to have the Rustler cemented off.

S. Schuster: Yes sir. There will be cement into the beginning of the top of the Capitan. There will be casing and cement all the way into the Capitan. Everything above it will be sealed.

J. Dorris: And will those wells, will they always be open hole or natural completions, open hole completions, or will they perforate some of the ground with that.

S. Schuster: No sir. We will open hole it. And we don't expect to set our pump deeper than 600 feet.

J. Dorris: I see, because it has enough bottom hole pressure it keep it that high.

S. Schuster: That is correct. We expect water level at about 200 feet below land surface. The consideration that was mentioned earlier about blow out preventers, we are actually talking to qualified drillers to make sure that they are well versed on over pressured units, and that being able to work in over pressured units is also part of our bid consideration, and certainly the expense of the project is tied up in those unknowns and the uncertainties from the drillers side.

J. Dorris: Are you ready if you drill into it and it is flowing 3 or 4 feet over the rotary table?

S. Schuster: Well, we hope that doesn't happen. We will try to be prepared for that. That is really where we are seeking qualified bidders. Folks that not only have the equipment but also the expertise we are requiring that the driller have at least 5 holes of this depth with this type of pressure under their belt. So far all of the respondents are qualified and have that type of experience.

R. Cooper: Can we, in regards to the water testing once you complete the well, can you use the USGS study that we have to determine if we are getting any contamination from other aquifers.

S. Schuster: We can. Now the USGS report, the portion that was just recently completed has 2 data points on the Capitan. We have incorporated those wells as well, so that information is in our data base, and is something we have based all of our considerations on. It really revolves back on that core issue. One of the things we are worried about the most is trying to make sure we get an isolated sample out of this test well that shows us exactly what the Capitan is like, to where we know based on our own construction that we are drilling only into the Capitan and pulling only Capitan water.

That in our opinion that will be the first time we can honestly say that we know for a fact that we are pulling that water.

R. Cooper: But, you have used some of the information from the USGS study as far as the age of the water?

S. Schuster: We have begun to look at that. In looking at the Cockrell Investment well and comparing some of the existing water quality - there is some indications of mixing. So that has us back to the same contention that we need to drill a test hole to be able to isolate the well to where we can definitively speak that we are pulling and testing Capitan water only. We will do exactly that. We will run an isotope sample as well to be able to determine age and source and recharge. We are very very interested in those very same issues ourselves. We want to make sure we are drawing only Capitan water and that we can prove definitively through the water quality that this is Capitan water.

J. Groth: I have a question. When you were talking about the 11 hundred TDS, where did you get that information from? What well or well field?

S. Shuster: That is the Cockrell Investment well that we came out and tested 3 weeks ago.

J. Groth: And is that the one they think might be compromised?

S. Schuster: Potentially. There are arguments for one way or the other. One of them being how could we get fresher water at depths than we are getting at shallower aquifers. There are some other signatures that indicate that there could be some mixing and I think we all understand that there is some kind of communication between those aquifers. It is certainly not of the nature where we are pulling 2,000 gallon a minutes across the interface, I think that is highly unlikely. However, we would expect some of those existing wells to have some over time that there is some pathway that may have deteriorated to where there might be some flow. At this point the water quality sample is good and certainly in the range where our main concern is can we do surface disposal with it, or do we need to worry about some hidden constituent - radon, radium, anything like that which might prevent us from surface discharge of the water and we didn't find any of those. We have indications of potential mixing in the existing well but that just gives further credence to the idea that we really do need to test it and make sure that we have an isolated well in place.

J. Groth: Is that the only monitor well for that aquifer in that area?

S. Schuster: In the immediate area, yes ma'am. We would have to go another 10 miles at least before we have another well that we feel might could potentially offer some monitoring opportunities that would be significantly downstream or significantly upstream. The other wells that we have for records are outcrops in the Glass Mountains and then a little further towards the Pecos River.

G. Honaker: On your assuming, I am kind of curious, in the Rustler you can have caverns there and have you made contingencies for dealing with that also?

S. Schuster: Yes sir. Absolutely, again that is part of our concern about finding a driller who is very experienced in going through various formations, particularly because we are going from limestone from a very hard dense formation to very loose evaporite shaly things that will dissolve and fall in the hole very easily. We definitely will take some very seriously precautions.

M. R. Gonzalez: I am curious about one thing, when they are drilling for oil, do they go through that process we are going through right now?

S. Schuster: No sir.

M. R. Gonzalez: They drill all the time and I don't think they go through this kind of process we are going through right now.

S. Schuster: Correct.

M. R. Gonzalez: I know they are not drilling for water, but when they are drilling for oil.

G. Honaker: That is where some of that communication between aquifers comes in.

P. Weatherby: I have talked to the Railroad Commission that is in charge of protecting the freshwater zones, it is all paperwork, it is an honor system, I have talked to our field inspector that was here for 20 years. They go out there when they are running casing and do the cementing. I can't tell you either way how good the freshwater zones are protected other than the fact that on this project our water supplies in Pecos County have never been contaminated to the extent that drawing any contingent from a regular oil or gas well that has been drilled. We have had injection well blowout a little. They all seem to protect the freshwater supply.

J. Dorris: They are a lot tighter than they were 30 years ago.

P. Weatherby: I have a question. (01:16:01) How do you monitor the Capitan well? A Capitan well? Through pressure, through levels, how do you monitor an aquifer like that?

S. Schuster: Most likely through water levels, that is the easiest one. You could take some pressure measurements.

P. Weatherby: But, if you have wells like the Capitan wells at Coyanosa, they are at 200 pounds of pressure they are artesian wells. So that is a way to measure.

S. Schuster: Yes sir.

P. Weatherby: As to the Capitan withdrawals, myself or you or anyone else does not know how much water is being produced out of the Capitan from one hook on the map to the other hook.

S. Schuster: That is correct. We don't.

P. Weatherby: Right now there is still a substantial supply evident. I know in Ward and Winkler County a tremendous amount but I don't know specifics on that. And as far as monitoring this well or checking this well, you don't have any wells in the general to monitor?

S. Schuster: The Cockrell Investment well is the closest well.

P. Weatherby: Do you have permission to monitor it?

G. Honaker: It's going to be monitored.

P. Weatherby: I know possibly I can get you permission to measure the pressures in Coyanosa. I don't know what the area of influence is.

S. Shuster: I wouldn't see readily influence there and is one of the reasons the Cockrell well would be our main target in terms of monitoring. To me this is a big science project. I want everybody to be involved and share as much information as possible. We are not trying to do anything in secrete. This is something where we could all benefit from this information. That is really what I think is the key purpose and why I have a great level of excitement about this opportunity of drilling a test well. It gives us an opportunity to learn about an aquifer that we know very little about. One that we will have more interest in the future about, so it sort of a future-visioning process of what we could potentially get out of the Capitan in this part of the world.

P. Weatherby: Is there a Capitan well, I know Jeff shook his head going out the door, is there a well available drilled into the Capitan on the Fort Stockton Holdings land?

J Williams: As far as I know there is not.

S. Shuster: The nearest ones on private land, we would go south towards the Glass Mountains.

J. Williams: Glenn, your well is not artesian is it?

G. Honaker: No sir, no it is not Jeff.

S. Shuster: Was it at the time it was drilled?

G. Honaker: Static before we started producing it was holding at about 111 feet. Something like that without going back and looking at the records.

H. Gray: If I understood you right, the sketch you have for your pipe for your depth, that is where you are going to set it?

S. Schuster: Generally we will follow it, I can't imagine that we would be off by more than 100 feet on some of those. That is generally the design that we are going to submit to the TCEQ, and that has been submitted to the TCEQ. One of the things and the reason it is labeled draft - the budget that has been appropriated by the city of Odessa for the test well is less than what our ideal design would look like, so we are going to down size the size of the hole in order to keep costs minimized. So, we will see smaller casings and the bottom of the hole will probably end up with 10 inch casing at the bottom of the hole in order to keep the costs within the budget.

H. Gray: The reason I was asking because I know some of the wells are deeper than 600 feet and the casing ?.

S. Schuster: We will go deeper with casing regardless - the 600 feet is for the Edwards Trinity. So the initial 600 feet of string is just for the Edwards Trinity and then there will be a separate smaller casing string through the Rustler, Dockum units and beneath that.

H. Gray: Some of those Edwards Trinity wells are deeper than that.

S. Schuster: That is correct. That is our estimate in terms of the casing size and the depth (01:21:00) and we will change casing size after that. We are not going to stop casing, we will just drop to a smaller size.

J. Williams: You are going to have to deal with caverns in the Edwards Trinity.

S. Shuster: Oh yes.

J. Williams: The video guy wouldn't even put his camera down in the cavern he was worried it would disappear.

S. Schuster: Absolutely. We anticipate that this will be a rather challenging drilling job and anticipate the faults and caverns. That is part of the fun. We will have somebody on site monitoring the entire time.

H. Gray: You are aware there are oil and gas out there shallower than what you are figuring on drilling?

S. Schuster: Yes sir.

G. Honaker: Are there any further questions that you would like to ask?

W. Blackwelder: What is the 600 feet - where did you get the 600 feet number?

S. Schuster: Thank you for asking. It is general interpretation in interpretation of where the surface is based on other existing data. Our structural model basically gives the bottom of the Edwards Trinity at around 600 feet. It may be something different site specific but that is generally what we are finding based on other available data and that includes all the wells that are in the USGS study.

W. Blackwelder: The Railroad Commission has a guideline and I am wondering what that would be in that area. In our area, it is 1,000 feet of surface casing. Do you know Evans?

E. Turpin: Not out here.

W. Blackwelder: I think the minimum now is 700 feet of surface casing.

S. Schuster: We are talking 2 to 3 thousand feet at least so we will have ample casing sealed from the surface. And we are going beyond anything the Railroad Commission requires in terms of standards. We will be building this entire well according to TCEQ's and TDLR's standards, so it will be a test well but if things go to fruition it will become an actual production well, the well would be constructed to drinking water standards. So it will be sealed from the bottom all the way to the top of the aquifer.

J. Dorris: What is our surface casing supposed to be at?

E. Turpin: When you get closer to Iraan it closer to 5 or 6 hundred feet.

J. Dorris: I've got some wells that are 600 feet, 650, 630. So I am going to tell you right now I am not an expert, but I am not real comfortable with the amount of surface casing you are setting. I think you should set more.

S. Schuster: OK.

J. Dorris: Are you comfortable with it Weldon?

W. Blackwelder: I would be if the Railroad Commission says it's OK.

J. Dorris: I'd want to be sure ...

A. Mandujano, Jr.: It's going to be TCEQ not Railroad Commission. Oil and Gas is for railroad.

S. Schuster: That's correct.

J. Dorris: The Railroad Commission's standards on surfacing casing are good. You are going to be real unhappy if you set a short surface pipe and you go drill out cement and you got fresh water still down there.

S. Schuster: That's right.

J. Dorris: It is a lot cheaper to run some more casing and more cement. But I am not comfortable with that.

S. Schuster: OK. We will make sure TCEQ approval is submitted and make sure the agencies are on board, absolutely.

J. Dorris: The Railroad Commission's standard is a good one to go by with fresh water or oil because they do have a good guideline.

S. Schuster: Right.

P. Weatherby: OK, I have one more question. Based on my redneck idea of hydrology, when you are testing this well, are you going to be monitoring an Edwards Trinity well because of the potential hydraulics?

S. Schuster: Absolutely. That is something we are all interested in. It goes back to that science experiment. As a matter of fact, the really nice part is with the other abandoned city wells in the area, we have several options to choose from.

G. Honaker: Yes Mr. McCarthy.

E. McCarthy: Thank you Mr. Honaker. (01:25:38) When this all started you asked the question would somebody please describe the actual pump test, and other than hearing it was going to be a 3 day pump test I am not sure you got an answer to your question. We got distracted.

S. Schuster: We intend to run a 3 day pump test where basically incrementally run up the pumping rate of the (01:26:12) pump in the well to see if we get to maximum capacity. Obviously once we get a smaller diameter we are not going to be able to talk about 2,000 gallons a minute. With the smaller design, our ultimate pumping rate will probably be under 1500 gpm so we would ramp up the pumping rate over a period of time and I can't specifically address that because some of that will depend on logistics in the field. Basically we would step function the pumping rate all the way up to maximum capacity. Once we reach maximum capacity we will run it for as long as we can to see if we can get a plateau in the drawdown to where we basically start stabilization to where at that point we have reached maximum capacity of the well and the pump. That will satisfy us that we have reached and have gotten to a point where we can actually release the stress on the aquifer and measure the recovery rate of the aquifer to see what the rate of the recovery rate of the aquifer is. Basically the idea of a pump test is to test the aquifer parameters at a particular point and time. You want to vary the rate over a pump test to see if we can get it to the maximum rate with the performances at the various levels on the way to the maximum rate, once we reach the maximum rate we want to run it long enough to where see the run sort of plateau and stabilize once we have reached that point for the duration is long enough to be able to tell us that the full extent of the aquifer parameters for our purposes and then we can make some assessments on long term availability, sustainability, and aquifer behavior. Oh course, all the data we will be happy to share with the District, because it is things we want to learn about the aquifer and the area in general. It will certainly help those folks that already have wells on how things are performing in the field. It will basically be a step-rate test with a minimum of three days duration. We expect the maximum pumping rate to be something less than 1500 gpm.

G Honaker: Thank you.

S. Shuster: Thank you. (WS400062 01:28:28)

G. Honaker: Any further questions? Board? Public? Thank you sir.

S. Shuster and R. Rodriguez: Thank you.

G. Honaker: At this time, 11:31 AM, I will adjourn the public hearing on the City of Fort Stockton Drilling Permit Application. At this time we will take a little break.