

MIDDLE PECOS GROUNDWATER CONSERVATION DISTRICT

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Directors

Jerry McGuairt, President John D. Dorris, Vice President M. R. Gonzalez, Secretary/Treasurer
Alvaro Mandujano, Jr. Vanessa Cardwell Ronald Cooper Janet Groth
Weldon Blackwelder Allan Childs Jeff Sims Puja Boinpally

Employees

Ty Edwards, General Manager
Melissa Mills, Office Manager Gail Reeves, Office Assistant

MINUTES OF REGULAR BOARD MEETING and PUBLIC HEARINGS January 16, 2018

On this the 16th of January, 2018, a Regular Board Meeting and Public Hearings were held by the Middle Pecos Groundwater Conservation District in the office located at 405 North Spring Drive, Fort Stockton, Texas, with the following members' present, to-wit:

Jerry McGuairt	President, Precinct 1
John Dorris	Vice President, Precinct 3 -Arrived @ 10:21am
M. R. Gonzalez	Secretary/Treasurer, Precinct 2
Alvaro Mandujano, Jr.	Precinct 4
Ronald Cooper	Precinct 4 – Left @ 12:02 p.m.
Vanessa Cardwell	City of Fort Stockton
Jeff Sims	City of Iraan
Allan Childs, Jr.	At Large

Quorum Present.

Board members absent: Janet Groth, Puja Boinpally, and Weldon Blackwelder

Others present: Ty Edwards, Mike Gershon, Gail Reeves, Melissa Mills, Paula McGuairt, Jeff Williams, Mike Thornhill, Ed McCarthy, Brock Thompson, Gary Bryant, Glenn Honaker, Geoff Pike, Sam Cruse, Tommy Soriero, Jr., Tommy Ervin, Schuyler Wight, Mark Harral, Robbie Dominquez, Frank Rodriguez, Bob Hayter, John Conquest, Doug May, Armando Mandujano, Rocky Rives and Jeremy Gonzalez/Fort Stockton Pioneer.

REGULAR BOARD MEETING

- I Call to order regular Board meeting at 10:00 a.m. by President Jerry McGuairt.
- II Comments from public and media: No public comment.

III Presentation of **District auditor's report on financials** for Fiscal Year 10-01-2016 through 09-30-2017 and act to approve auditor's report.

Rocky Rives with Smith and Rives, PC Certified Public Accountants presented the audit to the Board and answered all questions. The opinion rendered is an unmodified opinion which is the best that can be rendered. The financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the MPGCD, as of September 30, 2017, and the respective changes in financial position thereof for the year ended in conformity with accounting principles generally accepted in the United States of America. There are no findings that require disclosure or corrective action in the audit report.

Ronnie Cooper made a motion to approve the Audit for Fiscal Year ending 09-30-2017 as presented. Seconded by M. R. Gonzalez. Motion Carried unanimously.

The Regular Meeting was recessed at 10:11 a.m.

PRODUCTION PERMIT HEARING for BOB HAYTER

I Call to order at 10:12 a.m. the Public Hearing on **Application for a Production Permit for Bob Hayter.**

Party representing application: Bob Hayter

Protestant to application: None

Public Comment: None.

President McGuairt declared the application uncontested.

Manager Ty Edwards presented the application to the Board. The application requests production for 1 well located West of Hovey Road and 5 miles South of Interstate 10 on Survey T&P RR CO Block 51-10 Section 36, in Pecos County, Texas. The purpose of this well is for Industrial Use of 150 acre feet/year from the Rustler Aquifer. The water production will be metered, and Mr. Hayter will report the production monthly. John Conquest reported that Throne Petroleum will use the water for about 1 year to frac the first job. The application is declared administratively complete.

II Adjourn hearing and consider and/or act on Application for a Production Permit for Bob Hayter.

Jerry McGuairt adjourned the hearing at 10:17 a.m.

Vanessa Cardwell made a motion to approve the application as presented. Motion seconded by Ronnie Cooper. Motion Carried Unanimously.

7 For. -0- Oppose. 4 Absent. (Note: John Dorris arrived at 10:21 a.m.)

PRODUCTION PERMIT HEARING for MANDUJANO BROTHERS

I Call to order at 10:18 a.m. the Public Hearing on Application for a Production Permit for Mandujano Brothers: Block 48-8 Section 23.

Alvaro Mandujano, Jr. recused himself via a Disclosure Affidavit.

Note: John Dorris arrived at 10:21 a.m.

Party representing application: Armando Mandujano

Protestant to application: None

Public Comment: None.

Jerry McGuairt declared the application is uncontested.

Manager Ty Edwards presented the application to the Board. The application requests production for a 3 well system located on Survey T&P RR CO Block 48-8 Section 23 (Negra Farm) approximately 6 miles South of Cayanosa and 2 miles West of FM 1776, in Pecos County, Texas. The purpose of this well system is for Irrigation Use of 800 acre feet/year from the Pecos Valley Aquifer. This land was farmed in the past with a Historical and Existing Use permit on well #1 for 530 acre feet. The farm was not in use in 2016. The Mandujano Brothers started farming this land in 2017. The application is administratively complete.

II Adjourn hearing and consider and/or act on Application for a Production Permit for Mandujano Brothers: Block 48-8 Section 23.

Jerry McGuairt adjourned the hearing at 10:24 a.m.

Ronnie Cooper made a motion to approve the application as presented. Motion seconded by Vanessa Cardwell. Motion Carried.
7 For. -0- Oppose. 3 Absent. 1 Recusal.

PRODUCTION PERMIT HEARING for MANDUJANO BROTHERS

I Call to order at 10:25 a.m. the Public Hearing on Application for a Production Permit for Mandujano Brothers: Block 48-8 Section 1.

Alvaro Mandujano, Jr. recused himself via a Disclosure Affidavit.

Party representing application: Armando Mandujano

Protestant to application: None

Public Comment: None.

Jerry McGuairt declared the application is uncontested.

Manager Ty Edwards presented the application to the Board. The application requests a production permit for a 2 well system located on Survey T&P RR CO Block 48-8 Section 1 (Wilde Farm) approximately 4.6 miles South of Cayanosa and 1 mile West of FM 1776 , in Pecos County, Texas. The purpose of this well system is for Irrigation Use of 600 acre feet/year from the Pecos Valley Aquifer. Meters are installed on most of the wells. A drip irrigation system is being used. The application is administratively complete.

II Adjourn hearing and consider and/or act on Application for a Production Permit for Mandujano Brothers: Block 48-8 Section 1.

Jerry McGuairt adjourned the hearing at 10:30 a.m.

Vanessa Cardwell made a motion to approve the application as presented. Motion seconded by Ronnie Cooper. Motion Carried.
7 For. -0- Oppose. 3 Absent. 1 Recusal.

**CONSOLIDATED DRILLING/PRODUCTION PERMIT HEARING for
MANDUJANO BROTHERS**

- I Call to order at 10:32 a.m. the Public Hearing on **Application for a Production Permit for Mandujano Brothers: Block 48-8 Section 21.**

Alvaro Mandujano, Jr. recused himself via a Disclosure Affidavit.

Party representing application: Armando Mandujano

Protestant to application: None

Public Comment: None.

Jerry McGuairt declared the application is uncontested.

Manager Ty Edwards presented the application to the Board. The application requests a consolidated drilling and production permit for a 2 well system located on Survey T&P RR CO Block 48-8 Section 21 approximately 6 miles South of Cayanosa and 3 miles West of FM 1776 , in Pecos County, Texas. The well is projected to be 800-900 feet in Depth and drilled into the Pecos Valley Aquifer. The purpose of this well system is for Irrigation Use (700 acre/feet) and Industrial Use (100 acre/feet) for a combined Use of 800 acre feet/year from the Pecos Valley Aquifer. The industrial usage will be reported monthly, and the irrigation usage will be reported annually. The application is administratively complete.

- II Adjourn hearing and consider and/or act on **Application for a Production Permit for Mandujano Brothers: Block 48-8 Section 21.**

Jerry McGuairt adjourned the hearing at 10:35 a.m.

M. R. Gonzalez made a motion to approve the application as presented. Motion seconded by Allan Childs. Motion Carried.

7 For. -0- Oppose. 3 Absent. 1 Recusal.

PRODUCTION PERMIT HEARING for CITY OF FORT STOCKTON

- I Call to order at 10:38 a.m. the Public Hearing on **Application for a Production Permit for City of Fort Stockton (Blue Ridge Farm)**.

Alvaro Mandujano, Jr. recused himself via a Disclosure Affidavit.

Party representing application: Mark Harral/Attorney. Frank Rodriguez/City of Fort Stockton Manager. Robbie Dominguez/Assistant Director of Public Works.

Protestant to application: None

Public Comment: None.

President McGuairt declared the application uncontested.

Manager Ty Edwards presented the application to the Board. The application requests production for a 10 well system located on City of Fort Stockton Blue Ridge Farm, approximately 27 miles West of Fort Stockton, in Pecos County, Texas. The purpose of this well system is for a combined use of Public Supply and Industrial use and request 500 acre-feet a year from the Pecos Valley Aquifer. The application was submitted on August 3, 2017, and it was not administratively complete at that time. Once they answered additional questions, we declared the application administratively complete. The permit application hearing was set for December 12, 2017. We did not have a quorum for the hearing, and the hearing is rescheduled for today.

Frank Rodriguez, the Fort Stockton City Manager, was sworn in by President McGuairt. The City is requesting that the permit be for a combined 500 acre feet industrial and public supply use, so that the City can support Pecos County water in the short term as well as the City of Fort Stockton long term for greater than 3 years.

Robbie Dominguez, the City of Fort Stockton Assistant Public Works Director, was sworn in by President McGuairt. (Summary) The City of Fort Stockton has redrawn its service distribution territory and now includes the Prison population. The agreement that the City has with WaterBridge has established the City of Fort Stockton as a wholesale provider. The City was able to justify the municipal reserve amount of water in order to serve the growing hotel and industry population. All changes have been approved by the Texas Water Development Board, and have been submitted to Region F for the State Water Plan.

Mark Harral, City of Fort Stockton water attorney: (Testimony Summary)

The goal of this permit is to resolve permit issues as we continue to use water for *Oil & Gas* purposes, industrial for the short term, as well as municipal for the long term. The City would like to use the full amount for industrial use until such time as they need it for public use. The reason the City is asking for Public-Use is because we have gone through the process with the Texas Water Development Board and we have been classified as a wholesale water provider because of our agreement with WaterBridge. The water wells originally purchased at Blue Ridge and the area out there is considered fresh water according to Texas Commission on Environmental Quality standards.

The permit application requests water to supply WaterBridge Resources, LLC. WaterBridge will install a water pipeline from the Blue Ridge property and connect all the City's properties (Blue Ridge, Stockton, Riley, and Belding). The City will sell water to WaterBridge at a reduced rate (Commercial Rate of 12¢ a barrel) and in turn, WaterBridge will build and install the 30" pipeline and infrastructure which will be transferred to the City at the end of the agreement. The water is not for transport outside of Pecos County. Short term goal is to reduce City customers water rates with the money generated or to pay for infrastructure improvements. Long term outlook is that once the *Oil & Gas* industry has gone, or in 30 years the water can be used for other purposes and do other economic development activities and supply locals. Pipeline construction is expected to take 4 to 6 months. Current sales of 167 acre feet have been pumped from the City's water field in Reeves County to satisfy the water needs in Pecos County, hence the need for the production permit on the Blue Ridge property. We would like 500 acre feet for 3 frac jobs. OXY has been using the 3 wells in this permit application and have been producing 25,000 barrels a day which is 1,160 acre feet annually.

Several MPGCD Board Members expressed concerns about the low rate of 12¢ a barrel that would undercut sales competition for area land owners.

II Adjourn hearing and consider and/or act on Application for a Production Permit for City of Fort Stockton (Blue Ridge Farm).

Jerry McGuairt adjourned the hearing at 11:15 a.m.

Jeff Sims made a motion to deny the permit application. Seconded by John Dorris. Motion Failed. Vote: 3 For. 4 Oppose. 3 Absent. 1 Recusal.

Allan Childs made a motion to approve the permit as presented. Seconded by M. R. Gonzalez. Motion Failed. Vote: 4 For. 3 Oppose. 3 Absent. 1 Recusal.

No action taken.

Mike Gershon, MPGCD attorney, explained that the hearing has been closed. MPGCD has 60 days to act on the application.

Alvaro Mandujano, Jr. rejoined the meeting.

REGULAR BOARD MEETING – CONTINUED

The regular board meeting resumed at 11:31 a.m.

- IV Consider and/or act upon **Minutes of Regular Meeting on December 12, 2017.** Vanessa Cardwell made a motion to approve the minutes as presented. Motion seconded by Ronnie Cooper. Motion Carried.
Vote: 7 For. 0 Oppose. 3 Absent. 1 Abstention/J. Dorris.

- V Consider and/or act upon **Accounts Payable and Treasurer's Report and Line Item Transfers for the Month Ending December 31, 2017.** Vanessa Cardwell made a motion to approve the Treasurer's Report and Line Item Transfers and Accounts Payable for the month ending December 31, 2017. Motion seconded by John Dorris. Motion Carried Unanimously.

- VI Consider and/or act upon **2018 Mileage Reimbursement Rate.** Beginning on Jan. 1, 2018, the IRS standard mileage rates for the use of a car (also vans, pickups or panel trucks) will be 54.5 cents for every mile of business travel driven, up 1 cent from the rate for 2017.

Ronnie Cooper made a motion to approve the 2018 Mileage Reimbursement Rate of 54.5 cents. Seconded by Alvaro Mandujano, Jr. Motion Carried Unanimously.

- VII Consider and/or act upon the **General Manager's 2017 Annual Report.**

General Manager Ty Edwards presented his report with a power point presentation.

The meeting was recessed for lunch at 12:02 p.m.

An Executive Session for Agenda item VIII convened at 12:03 p.m.

The Executive Session adjourned at 12:48 p.m.

The regular session reconvened at 1:00 p.m. President McGuairt stated that no decisions or votes were made in executive session.

* Note: Ronnie Cooper left the meeting at 12:02 p.m. John Dorris left the meeting at 1:03 p.m. A quorum was present for the remainder of the meeting: McGuairt, Cardwell, Sims, Mandujano, Childs, and Gonzalez.

General Manager Ty Edwards resumed the presentation of his report.

Vanessa Cardwell made a motion to approve the 2017 Annual Report. Motion seconded by Jeff Sims. Motion Carried Unanimously.

VIII Briefing and take action as necessary on Cockrell Investment Partners, L.P v. Middle Pecos Groundwater Conservation District, Cause NO. P-12176-112-CV.

The Cockrell Investment Partners, L.P. team (Cockrell) was not present when this agenda item came up. Ed McCarthy with Fort Stockton Holdings, L.P. (FSH) gave an update relative to the on-going talks between Cockrell and FSH. He reported they had not met much, and there is currently no settlement between them.

No action taken.

Note: Cockrell's team arrived a few minutes later, and was updated on Mr. McCarthy's statement. Sam Cruse with Cockrell's team agreed with the summary, and did not add further comment.

IX Discuss and act on Maplewood LLC's proposed amendment to tax abatement agreement to extend timeline by one year.

Alvaro Mandujano, Jr. made a motion to extend the Maplewood LLC's tax abatement by one year, and allow President McGuairt to sign the paperwork. Motion seconded by M. R. Gonzalez. Motion Carried Unanimously.

X Progress Reports: Well Registrations, Production Permits, Drilling Permits, Data Loggers, Drought Monitor Map and ongoing Water Quality Analysis.

- Well Registrations: Current registrations total 3,103 wells. 925 of those are non-exempt. This month we have received the following registrations: Stone Ranch; Oscar Gonzalez; Bobby Bennett; 2 exempt wells from Pecos Pecan; and 23 well transfers from Parsley Energy (Previously Trees Estate).
- Drilling Permits: 2 *Notice of Intents to Drill* have been received from Cody Energy to drill into the Rustler Aquifer and produce water on their lease. Their lease is cut in half by the Pecos/Brewster county line. They would like to use water from the Pecos County wells on the portion of their lease that is in Brewster County, and will submit an Export Fee Agreement next month.
- Drought Monitor Map: The current drought monitor map presented.
- Production Permits: Upcoming applications are Weatherby and the City of Fort Stockton.
- Water Analysis: The Winter Water quality analysis is continuing.

XI Consider and/or act upon General Manager's Correspondence.

- Texas Alliance of Groundwater Districts (TAGD): Quarterly meeting January 30 & 31, 2018 in Austin, TX.
- Dynotec will be here on January 17th to begin installing telemetry monitoring equipment on the Santa Rosa Springs, the Comanche Springs, and 3 other threshold monitor wells. Morgan Williams and I will install the equipment on the other 8 threshold monitor wells. By next month they should be available for viewing on the TWDB website.
- Pictures of the installation of the telemetry monitoring equipment on the Santa Rosa Springs were shown to the Board.

XII Directors' comments. No comments.

**XIII Consider and/or act upon agenda for next meeting.
Production Permit applications for 1) City of Fort Stockton; 2) Weatherby Farms.**

XIV **Adjourn Board meeting.**

Jeff Sims made a motion to adjourn the meeting. Seconded by Allan Childs.
Motion carried unanimously. The meeting adjourned at 1:20 p.m.



M. R. Gonzalez, Secretary/Treasurer



Jerry McGuairt, President

Date Approved 2-20-18