

MIDDLE PECOS GROUNDWATER CONSERVATION DISTRICT

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Directors

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

Employees

Ty Edwards, General Manager
Office: Gail Reeves & Melissa Mills Field Technician: Anthony Bodnar

MINUTES OF REGULAR BOARD MEETING AND PERMIT HEARINGS

March 19, 2019

405 North Spring Drive, Fort Stockton, Texas

On this the 19th of March, 2019, a Regular Board Meeting and Permit 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
Janet Groth	Precinct 1, Vice President
M. R. Gonzalez	Secretary/Treasurer, Prec. 2
Puja Boinpally	Precinct 2
John Dorris	Precinct 3 (Arrived at 10:55 a.m.)
Weldon Blackwelder	Precinct 3
Alvaro Mandujano, Jr.	Precinct 4
Vanessa Cardwell	City of Fort Stockton
Jeff Sims	City of Iraan

Quorum Present.

Board members absent: Ronald Cooper and Allan Childs

Others present: Ty Edwards, Troupe Brewer, Allan Standen, Gail Reeves, Melissa Mills, Anthony Bodnar, Paula McGuairt, Ed McCarthy II Brock Thompson, Mike Thornhill, Ryan Reed, Geoff Pike, Kaveh Khorzad, Glenn Honaker, Oscar Hernandez, Tommy Ervin, Ernest Woodward, Kirby Warnock, Chris Mertz, Bobby Gossett, Nathan Leonard, James Beach, Ralph Lang, Shannon English, Kyle Biery, Matt Uliana, Ross Harper, Greg Perrin, Stefan Stamoulis, Brad Dugas, Bill Doherty, D.A. Harral, Mark Harral, Ben Warden, Bill Caraway, Todd Suter, Ray Durham, G. William Fowler, Bob and Nancy Hayter, and Jeremy Gonzalez/Fort Stockton Pioneer.

REGULAR BOARD MEETING

I Call to order regular Board meeting at 10:01 a.m. by President Jerry McGuairt.

II Comments from **public and media**:

Kirby Warnock: Mr. Warnock expressed disapproval of the permits being issued to Jagged Peak Energy and to Crawford & Crawford if they will be using fresh water sources for fracking. He requested that the Board deny both permits until other sources are considered.

The Regular Meeting recessed at 10:08 a.m.

**PUBLIC HEARING ON A PRODUCTION PERMIT
FOR JAGGED PEAK ENERGY, LLC**

I Call to order at 10:08 a.m. the Uncontested Evidentiary Hearing on **Application for a Production Permit for Jagged Peak Energy, LLC** by President McGuairt.

Board Member Recusal: Alvaro Mandujano, Jr.

Party representing application: Chris Mertz, Nathan Leonard, Ralph Lang & Shannon English, James Beach, and Ed McCarthy II.

Application was declared uncontested by President McGuairt on 02-19-2019.

The following were sworn in to testify: Chris Mertz, Ralph Lang, Shannon English, James Beach, Ty Edwards, and Allan Standen.

Ty Edwards gave a recap of the permit. (Please see the Hearing on 02-19-2019 for the application details.)

Chris Mertz gave a recap of his 02-19-2019 testimony. (Please see the Hearing on 02-19-2019 for the testimony details.) Additional testimony: The plan is to move the monitor well to the western edge of our property line and drill it there.

Shannon English, Hydrogeologist, corrected the MPGCD map that was presented and stated that Duran Drilling out of Seminole, TX drilled Well 2; and that DrillPro Water Well Drilling from Seminole, TX, drilled wells 1, 3, and 4. She explained that the problems with the sonic reading equipment used for the pump tests is that cascading water in the pipe caused the equipment to consider the readings as inaccurate and therefore did not record them.

(Note: The pump test was part of the requirements for a production permit over 1,000 acre feet. The pump test problems are the reason the request was lowered below 1,000 acre feet since a pump test would not be required.)

James Beach with WSP testified that Jagged Peak LLC requested WSP to evaluate the impacts of the application by simulating water level decline with the Western Pecos County Groundwater Model (WPC model). The WPC model was used to simulate the water level decline from two production scenarios by Jagged Peak. James Beach, P.G. and Brant Konetchy prepared a Technical Memo regarding "Simulation Results to Support Permit Application of Jagged Peak, LLC Wedge Wells.

Scenario 1: Aggregate production of 730 acre feet a year (the amount of this permit). Each of the 4 wells was produced at a constant rate of 183 afy. The simulated water level decline in the Edwards after 1, 5, and 10 years of production indicated drawdowns increasing through time resulting in a maximum of 3 feet of water level decline around the wellfield. No wells in the vicinity will experience more than 1 foot of drawdown during the 10 years simulated. The four wells in the permit application experience a maximum of about 8 to 9 feet of drawdown after 10 years of pumping.

Scenario 2: This scenario is a hypothetical "worst case" scenario simulating the maximum possible cumulative production from the four wells of 2,581 afy. In the model the well was produced at a constant rate of 645 afy. The maximum water level decline in scenario 2 is about 13 feet at the center of the wellfield after 10 years. Drawdown contours also extend further from the wellfield and have up to about 2 feet of impact on nearby Edwards' wells. For the maximum potential, the four wells in the permit application experience a maximum of about 15 to 19 feet of drawdown after 10 years of pumping.

Allan Standen, MPGCD Hydrogeologist, submitted a report evaluating the Specific Capacity Tests and Potential Future Water Level Impacts of Jagged Peak's Wedge #1, Hayter #6, and Mandujano's Byrd #1. He testified that well results from a specific capacity test should not be used to evaluate water level impacts on neighboring wells because there is just not enough reliable aquifer information. Although impacts are not expected, monitoring wells constructed and completed similar to the Hayter #6 and Wedge #1, and located between the Jagged Peak well field and Mr. Hayter's wellfield are recommended to verify conditions and monitor water level changes. Predicting future water level declines in this area depend upon accurate daily pumping data and real time monitoring of the monitor wells.

II Adjourn Hearing and Consider and/or Act on **Application for a Production Permit for Jagged Peak Energy, LLC.**

President McGuairt adjourned the hearing at 11:14 a.m.

Weldon Blackwelder made a motion to grant Jagged Peak Energy, LLC, 350 acre feet for the 4 well system and with a special permit condition to drill a monitor well and equip it with full time monitoring equipment. Jagged Peak Energy testified that they are going to mix it 50/50 with produced water and that will allow them to frac the wells that are on their agenda, and also with the special condition that a monitor well be drilled so we can gain some data and if they come back and want to drill additional wells, they can come back to the Board and we'll see how we are doing and get another permit. The motion was seconded by John Dorris.

Discussions:

Chris Mertz was asked if Jagged Peak Energy agreed to the special permit conditions, and he said yes. He asked that in the event that commodity prices change and could be over \$60, and then the next thing you know, they fall to \$14 for the year - would you allow us to come back at the very next hearing and request additional acre feet to be heard?

The Board replied yes.

Ed McCarthy said they do not agree to the 350 acre feet because the company has an uncontested application for 730 acre feet with a demonstrated need, a property right, and is agreeing to other conditions going above and beyond what the District normally requires to get this kind of permit granted. And they'd like to get it - we've already been doing this for about a 60-Day period, it takes time. There's a lot of economics - millions of dollars at stake - leases at stake that could be lost if they weren't able to drill the water. The risk that you are asking him to bare is great. Commodity prices are such that they could drill 7 to 16 wells in the next year. And Chris' comments about commodity prices changing - if they go down, they could slow down the drilling schedule. And, then we won't pump as much water. But, will have the right to pump it. And that's the critical thing. We are dealing with a problem of property right. We have the right - we own the water - we have the right to use it. We have to have your permission to use it under certain conditions - we are seeking that authorization so that we have it - we don't want to run into the kind of snafu that we ran into, where we relied on drillers who are licensed by the state to do their job and didn't do it properly. And we are going to address that. But we would like to have the assurance that we have do everything we need in order to be able to drill a well when we need to drill. Chris Mertz agreed with Ed McCarthy wholeheartedly.

President Jerry McGuairt recessed the hearing at 11:22 a.m. An Executive Session was called at 11:23 a.m. Pursuant to Section 551.071 of the Texas Government Code, the Board will consult with its attorney. Any action on this matter will be taken in open session only if the action relates to an agenda item that is posted on today's agenda. Note: Alvaro Mandujano, Jr. recused himself from the Executive Session.

The Executive Session adjourned at approximately 11:43 a.m.

The regular session reconvened at 11:45 p.m. The presiding officer, President Jerry McGuairt, stated that no decisions or votes were made in executive session.

Note: Blackwelder's motion died for a lack of a vote.

Vanessa Cardwell made a motion to grant the permit with an immediate authorization of 365 acre feet per year, and a subsequent conditional authorization of 365 acre feet upon applicant's demonstration of drawdowns in line with the predictions outlined by their Hydrogeologists, based on data obtained from the monitoring well drilled as a special permit condition to this permit. The motion was amended to include that Jagged Peak Energy, LLC drill at their expense a monitor well and equip it with fulltime monitoring equipment. The motion was seconded by M. R. Gonzalez. Motion passed.

Vote: 8 For. -0- Opposed. 2 Absent. 1 Recusal/Mandujano.

Note: Special Permit Conditions

1. Jagged Peak Energy, LLC (JPE) is immediately authorized to produce and beneficially use 365 acre feet per year for industrial use.
2. JPE shall drill and complete at its own expense one monitoring well in the Pecos Valley and Edwards-Trinity aquifers along the western edge of JPE's property associated with the permit application and as indicated during the permit hearing.
3. JPE at its own expense shall equip the monitoring well with full-time monitoring equipment and make the data from this monitoring well available to the District.
4. If actual aquifer drawdowns measured by the full-time monitoring equipment are consistent with the predictions of JPE's hydrogeologists, then JPE shall automatically have authority to produce and beneficially use an additional 365 acre feet per year for industrial use for a cumulative permit allocation of 730 acre feet per year.

Agenda item taken up out of posted order.

Note: Puja Boinpally stepped out of the meeting. A quorum of 8 remained.

- V Consider and/or act upon **Financial Audit for the Year ending 09-30-2018.** 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, 2018, 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.

Janet Groth made a motion to approve the Audit for Fiscal Year ending 09-30-2018 as presented. Seconded by Weldon Blackwelder.
Motion Carried unanimously. Vote: 8 For. -0- Opposed. 3 Absent.

The meeting was recessed at 11:56 a.m. for lunch.

The meeting reconvened at 1:01 p.m.
Puja Boinpally returned at 1:08 p.m.

**PUBLIC HEARING ON A PRODUCTION PERMIT
FOR BOB HAYTER**

I Call to order at 1:01 p.m. the Public Hearing on **Application for a Production Permit for Bob Hayter** by President McGuairt.

Party representing application: Bob and Nancy Hayter

Protestant to application: None

Public Comment: None.

President McGuairt declared the application uncontested.

The following were sworn in to testify: Bob Hayter

Manager Ty Edwards presented the application to the Board. The application requests production for a 3 well system (wells #2/2011081502; #3/2011081503; #6/2011081506) located on approximately 1,185.74 acres of land in Survey Daniel, JW Block OW Section 14. The wells are located on property ID # 14715 approximately 3 miles east of the intersection of FM 1776 and Mobil Rd in Pecos County, Texas. The application requests authorization to produce 700 acre-feet/year for Industrial Use from the Pecos Valley and Edwards Trinity Aquifers. Rosehill actually has this section leased for the minerals. There are no permits on these wells. We found out throughout all this process with Jagged Peak that some of this water was actually being sold off lease. They actually have water purchase agreements with several operators. DiamondBack and Rosehill for these specific wells. They only did the permits for these 3 wells – wells 2 -3 and 6. We are going to monitor well 5. Well 1 is just an exempt well, it has a small pump in it for livestock. And, Well 4 is not usable. So, we did the pump tests on Well 6 which is a very large producing well. Currently Rosehill is wanting to pump these two wells (wells 2 & 6) and they have a poly line laid to their frac pond. DiamondBack has a line laid from well 3 to their frac pond. They want the capability of tying these 3 wells together and sell to other operators in the area possibly. And to continue to sell to DiamondBack, and continue to sell to Rosehill. I was able to go back and find the well reports from 1957 on 2 of the wells right here on section 14. They were both drilled to 700 feet, 16” casing and the water level was at 150 feet in 1959. It was at 200’ recently.

Allan Standen, MPGCD hydrogeologist, testified that the specific capacity pump tests conclude that this well field will have no impact on adjacent well fields. (For further review, please refer to his report dated 03-17-2019 Purpose: Jagged Peak's Wedge #1. Hayter #6, and Mandujano Byrd #1 Specific Capacity Tests and Potential Future Water Level Impacts "Specific Capacity Test Overview")

Bob Hayter testified that well 4 did not cave in – it had pipe dropped off in it when it was pulled. We are not going to use it. We had no intention of selling water to anybody, but as things were in the past and fracking and needing all this water – we had the wells, and we have the water. We have a lot of land around this area leased to oil and gas companies to frac with. We have sold water and I asked permission to use the wells from Paul, and he said the wells are grandfathered in, it is CRP and it's farmland. DiamondBack and Rosehill has probably reported the water usage from our wells on a monthly basis. In order to develop our mineral interests we need access to this water. We sell to Rosehill, Diamondback and in the past to Jagged Peak.

II Adjourn Hearing and Consider and/or Act on Application for a Production Permit for Bob Hayter.

President Jerry McGuairt recessed the hearing at 1:26 p.m. An Executive Session was called at 1:26 p.m. Pursuant to Section 551.071 of the Texas Government Code, the Board will consult with its attorney. Any action on this matter will be taken in open session only if the action relates to an agenda item that is posted on today's agenda.

The Executive Session adjourned at approximately 1:47 p.m.

The regular session reconvened at 1:47 p.m. The presiding officer, President Jerry McGuairt, stated that no decisions or votes were made in executive session.

Further Discussion: MPGCD would like to Monitor Well #5 on Hayter Ranch, and requested that Bob Hayter pay for the monitoring equipment that costs around \$4,000 to \$5,000. Mr. Hayter agreed to pay for the monitoring equipment and use well #5 as a monitoring well.

Janet Groth made a motion to grant the permit with a special condition that half of the requested production 350 acre feet be authorized immediately; and with the additional 350 acre feet authorized upon confirmation of our hydrogeologist's conclusion on impacts using data obtained from Mr. Hayter's monitoring well which shall be equipped with full time monitoring equipment at Mr. Hayter's expense. The motion was seconded by Alvaro Mandujano, Jr. Motion Carried unanimously. Vote: 9 For. -0- Opposed. 2 Absent.

Note: Special Permit Conditions

1. Bob Hayter (Mr. Hayter) is immediately authorized to produce and beneficially use 350 acre feet per year for industrial use from the subject wells.
2. Mr. Hayter shall equip one of the subject wells, particularly "Well No. 5," with continuous monitoring equipment at his expense and shall make the data from this monitoring well available to the District.
3. Upon confirmation of the conclusion of the District's hydrogeologist regarding impacts of production from the subject wells using data obtained from the full-time monitoring equipment installed pursuant to Special Condition 2, Mr. Hayter shall automatically have authority to produce and beneficially use an additional 350 acre feet per year for industrial use for a cumulative permit allocation of 700 acre feet per year.

**PUBLIC HEARING ON A PRODUCTION PERMIT
FOR ALVARO MANDUJANO, JR.**

- I Call to order at 2:00 p.m. the Public Hearing on **Application for a Production Permit for Alvaro Mandujano, Jr.** by President McGuairt.

Board Member Recusal: Alvaro Mandujano, Jr.

Party representing application: Alvaro Mandujano, Jr.

Application was declared uncontested by President McGuairt.

The following were sworn in to testify: Alvaro Mandujano, Jr.

Manager Ty Edwards presented the application to the Board. The application requests a production permit to produce a combined total of 350 acre-feet/year from a 4 well system (Mobile 1-West Well/#2005012710; Mobile 2-East Well/#2013111801; Mobile 3-South Well/#2005012711; Mobile 4-Southeast Well/#2005012712) for Irrigation and Industrial Use from the Pecos Valley Aquifer. The property is located on Survey F.M. Hoffman Block OW Section 16 (800 acres) Property Id # 44936 approximately 1/2 mile east of the intersection of FM 1776 and Mobil Rd in Pecos County, Texas. The property is north of Jagged Peak Energy. This farm did not have any permits on the property bought by Mandujano. The wells have meters. The Specific Capacity Pump Test was completed. (For further review, please refer to Allan Standen's report dated 03-17-2019 Purpose: Jagged Peak's Wedge #1. Hayter #6, and

Mandujano Byrd #1 Specific Capacity Tests and Potential Future Water Level Impacts "Specific Capacity Test Overview"). He will report his usage monthly. The application is complete.

Alvaro Mandujano, Jr. testified that well 4 (Mobile 4-Southeast Well/#2005012712) can be used as a monitor well and said he would pay for the monitoring equipment. He said he is currently selling water on lease. A black line is laid to the Rosehill tanks, and the other line goes to farming. The wells are metered. His oil and gas sales are on-lease and do not require a production permit. The permit request today is for farming and off-lease groundwater sales.

II Adjourn Hearing and Consider and/or Act on Application for a Production Permit for Alvaro Mandujano, Jr.

President Jerry McGuairt recessed the hearing at 2:13 p.m.

Janet Groth made a motion to grant the permit with a special condition that half of requested production – 175 acre feet be authorized immediately and with the additional 175 acre feet be authorized upon confirmation of our Hydrogeologists conclusion on impacts using the data obtained from monitoring wells which shall be equipped with full time monitoring equipment at Alvaro Mandujano, Jr.'s expense. The motion was seconded by Weldon Blackwelder. Motion Carried.

Vote: 8 For. -0- Opposed. 2 Absent. 1 Abstention/Mandujano.

Note: Special Permit Conditions

1. Alvaro Mandujano, Jr. (Mr. Mandujano) is immediately authorized to produce and beneficially use 175 acre feet per year for industrial use from the subject wells.
2. Mr. Mandujano shall equip Well No. 4 with continuous monitoring equipment at his expense and shall make the data from this monitoring well available to the District.
3. Upon confirmation of the conclusion of the District's hydrogeologist regarding impacts of production from the subject wells using data obtained from the full-time monitoring equipment installed pursuant to Special Condition 2, Mr. Mandujano shall automatically have authority to produce and beneficially use an additional 175 acre feet per year for industrial use for a cumulative permit allocation of 350 acre feet per year.

**PUBLIC HEARING ON AN APPLICATION
TO AMEND HISTORIC AND EXISTING USE PERMITS
FOR CRAWFORD & CRAWFORD, INC.³**

I Call to order at 2:17 p.m. the Public Hearing on Application To Amend Historic and Existing Use Permits for Crawford & Crawford, Inc.

Party representing application: Kyle Biery.

Public Comment: None

Protestant to application: Cockrell Investment Partners, LP/Ryan Reed

The following were sworn in to testify: Ty Edwards/MPGCD General Manager,
Kyle Biery/Applicant

Party Status Determination:

Ryan Reed: Our justiciable interest is that we are affected by pumping. Now if it is true that they are surrendering 500 acre feet in the Pecos Valley...my client's production is out of the Edwards/Trinity, the Rustler, and the Capitan. I do not know if we will be affected by that or not.

Alvaro Mandujano, Jr. made a motion to deny party status to Cockrell Investment Partners, LP. Motion seconded by Weldon Blackwelder. Motion Carried unanimously. Vote: 9 For. -0- Opposed. 2 Absent.

Ty Edwards: Crawford and Crawford, Inc has applied to Amend Historic and Existing (H&E) Use Permits, which requests to surrender 500 acre feet H&E Use production rights from 3 water wells currently totaling 1,092 acre feet of H&E Use for Irrigation. The water wells produce groundwater from the Pecos Valley Aquifer and are located on Survey T&P RR CO Block 48T8 Section 27 (620 acres) property ID: 6769 approximately 2 miles west of FM 1776 and 8.4 miles north of 285. Crawford and Crawford submitted this application to retire 500 acre feet H&E irrigation permits. Last month they submitted a permit with a full hydrogeological report and Mr. Weatherby protested the permit, and asked that they reduce their H&E amount. They withdrew the application that was before the Board last month. They are still in agreement to drill the 2 monitor wells, one on the north, one on the south side of the property, one on McIntyre and one on themselves.

Kyle Biery: One monitor well has been drilled on Crawford and Crawford property. One monitor well will be drilled on McIntyre property. Crawford and Crawford will pay for the monitoring equipment for both wells.

II Adjourn Hearing and Consider and/or Act on Application To Amend Historic and Existing Use Permits for Crawford & Crawford, Inc.

President Jerry McGuairt recessed the hearing at 2:27 p.m.

Janet Groth made a motion to approve the amendment to the historic and existing use permits for Crawford and Crawford, Inc.. Motion seconded by Weldon Blackwelder. Motion Carried unanimously. Vote: 9 For. -0- Opposed. 2 Absent.

**PUBLIC HEARING ON A PRODUCTION PERMIT
FOR CRAWFORD & CRAWFORD, INC.³**

I Call to order at 2:28 p.m. the Public Hearing on **Application for a Production Permit for Crawford & Crawford, Inc.**

Party representing application: Kyle Biery.

Public Comment: Cockrell Investment Partners, LP/Ryan Reed

Protestant to application: None

Application was declared uncontested by President McGuairt.

Comments from Ryan Reed: We are not contesting the application. We are simply requesting to provide public comment on the application. It is interesting that this application surrendered their H&E right first without expecting back anything in return. And, without any assurances that they would receive something in return and for their application to be treated on the merits for a production permit which is different than with what happened with the Fort Stockton Holdings permit application. That application affects my client much more directly and we were denied party status. I think there is a disparity about how this Board is treating certain applicants. In this case I think it is very apparent that Crawford & Crawford is surrendering their H&E permits and they are instead requesting production permits. That will be entertained by this Board here momentarily. It goes to the changing uses of water and for the number of permit applications today, there is a great deal of changing use of water in this County. In this case, I think we would support the Crawford & Crawford application because they have come to the Board without any expectation that their permits would be granted. They have voluntarily surrendered their H&E use rights and they are here today to prove to the Board assuming they approve the beneficial use for water that they have a permit application. I think it is very important to be very careful about how production permits are handed out and to ensure that applicants are demonstrating beneficial use for that water which this Board has done very well today.

Ty Edwards: Crawford and Crawford, Inc has applied for a Production Permit for a 3 well system located on Survey T&P RR CO Block 48T8 Section 27 (620 acres) property ID: 6769 approximately 2 miles west of FM 1776 and 8.4 miles north of U.S. Hwy 285. The application requests authorization to produce a combined total of 500 acre-feet/year for Irrigation and Industrial Use. The application requests to produce groundwater from the Pecos Valley Aquifer. Last month they had submitted a pretty substantial permit which has been withdrawn. They did the full hydrogeological report. The application was protested last

month. During the protest last month, the applicant and the protestant and several large land owners in the area came to an agreement that Crawford & Crawford would reduce their amount to 500 acre feet and drill 2 monitor wells, one on the north side and one on the south side with monitoring equipment in both wells. I would like to admit their hydrogeological report into the record too.

Kyle Biery with Crawford and Crawford: Agreed to drill 2 monitor wells, one on the north side and one on the south side with monitoring equipment in both wells. One monitor well has been drilled on Crawford and Crawford property. One monitor well will be drilled on McIntyre property. Crawford and Crawford will pay for the monitoring equipment for both wells.

II Adjourn Hearing and Consider and/or Act on Application for a Production Permit for Crawford & Crawford, Inc.

President Jerry McGuairt recessed the hearing at 2:29 p.m.

Alvaro Mandujano, Jr., made a motion to approve the application as presented and to include the special conditions that they have agreed to. The motion was seconded by Weldon Blackwelder. Motion carried unanimously.
Vote: 9 For. -0- Opposed. 2 Absent.

Note: Special Permit Condition:

Two monitor wells are to be drilled. One on the north side of the property, and one on south side. The monitor wells shall be equipped with continuous monitoring equipment at Crawford and Crawford, Inc., expense. One monitor well will be drilled on McIntyre property and one on Crawford and Crawford, Inc. property.

**PUBLIC HEARING ON A DRILLING PERMIT
FOR SPRINT KARNES COUNTY DISPOSAL, LLC.³**

I Call to order at 2:40 p.m. the Public Hearing on Application for a Drilling Permit for Sprint Karnes County Disposal, LLC.

Party representing application: Brad Dugas, Bill Doherty, Stefan Stamoulis

Protestant to application: None

Public Comment: None.

President McGuairt declared the application uncontested.

The following were sworn in to testify: Brad Dugas/Sprint Energy and Stefan Stamoulis/Hydrogeologist, and Ty Edwards/MPGCD General Manager.

Manager Ty Edwards presented the application to the Board. The application requests a drilling permit for Sprint Karnes County Disposal, LLC for Sprint Pecos County TRD STF Facility for 1 well located on Survey T&T RR CO Block OW Section 45 (206.8 acres) Property ID: 46063, approximately 1 mile East of FM 1776 and 1 mile South of Mobil Road in Pecos County, Texas. The well is projected to be 450-500 feet in depth with an estimate rate of withdraw at 40 gallons per minute. The application requests to drill into the Pecos Valley Aquifer. Steven Hoelscher had been trying to sell this farm for a long time, one section of land. There are 5 wells on it currently and they all have Historical & Existing Use Permits. A couple of them are the Rustler Aquifer, and one of them flows. Mr. Swinbank brought the property last year. He did the change of ownerships. This property has been in CRP forever. He sold 206 acres of it to Sprint to put in a commercial disposal facility. Mr. Swinbank actually kept the water rights on all the sections, they just sold the surface. Sprint Karnes has agreed to plug 3 existing wells around the facility and the owner (Mr. Swinbank) plans on drilling replacement wells and to keep the H&E permits. The 3 wells to be plugged by Sprint Karnes are #2005100409 Well#1-West, and #2005100408 Well #2-Artesian, and #2005100407 Well#3-South.

The disposal facility will go there, they basically dig big pits, line them, and bury horizontal drill cuttings. This is the second facility that has been approved in Pecos County. It is the first one that is actually being built. They are under construction currently. We have a letter from Mr. Swinbank authorizing Sprint Karnes to drill this well and produce it. They are only going to request 60 to 65 acre feet production after they drill this well and pump test it. MPGCD will put full time monitoring equipment in it. Sprint Karnes have already agreed in writing to put it in, and they are going to pull water quality measurements quarterly, and that is one of the things that we requested of them to remove our protest. We protested their facility – they agreed to put in some monitor wells – which the Railroad Commission was not going to make them do because of the way the geology is in that area. Pecos County did not protest even though their water field is nearby.

Brad Dugas testimony: We are requesting this water well for our own use. None of it will ever be sold. This water well will be an MPGCD monitor well. We need it for safety if there are fire issues, but more predominantly for dust control. We have a wash-out application that we use, and we need some clean freshwater for that to run through our high pressure system. We have commercial treatment facilities that are permitted by the Railroad Commission to support oil and gas production. We have a double lined system, the long term interment is for this waste that includes water-base mud, oil-based mud, oil-based cuttings,

water-based cuttings, produced sand, and contaminated soil that is on top. Some of the reserve pits being used by the Oil & Gas industry are being dug-up and that material will be brought to our facility. The size of the holes are 17-acres, and there are 7 of them. We use predominately all of the storm water. We have a storm water retention permit by the Railroad Commission, there is not over lapping with TCEQ and to do that they have to be a non-discharging site. So any water contact that would come in we have to contain and maintain on site. We do that in the pit and in our recycling area, the recovery process area. We have a long term lining retention pond and that is for the water that we put in there in augment with the well water that we do our washouts with. We will recycle and reuse any waters that we recover on-site, produced water that's brought in, and we use that for our high flow wash-out but we still need freshwater to run through these pumps and other stuff to get rid of corrosives that are going through there. We don't anticipate that we would ever use the maximum amount of this, but there are many days that we may use 100,000 gallons for dust control and then we might not use anything. We do not have an injection well on our site. Ours is just pure burial at 35 feet from the surface. After 5 years of closure, the facility will be capped and closed and the water well will be plugged. There are 3 water wells on the property that we will plug before we start taking waste. We have a required financial bond of 3.8 million dollars that we have for this facility. To address closure and any concerns you may have that show up in any type of monitoring thing. The facility site is based on the geologic criteria that we mapped out and was supported by all of our borings that we did as well. We think it is a sound site, and we understand your concerns. We are only going to hit the first water bearing unit, so I don't know what can comingle. We will cement to surface. The well is totally outside of all of our waste units – it's outside of the berms. The well is not where it would be next to anything that would be contaminate driven. We use SDR17. 8 inch HDPE pipe instead of using a steel casing.

II Adjourn Hearing and Consider and/or Act on Application for a Drilling Permit for Sprint Karnes County Disposal, LLC.

President McGuairt adjourned the hearing at 3:00 p.m.

Alvaro Mandujano, Jr. made a motion to approve the drilling permit as presented. Motion seconded by Janet Groth. Motion failed.

Vote: 1 For. 8 Opposed. 2 Absent. (Yes, only 1 voted FOR the motion)

Board Discussions:

The reason we are concerned is future water contamination. We have got to protect that water. The Coyanosa water field that is the public water supply is within 3 miles of your facility and the well design is of utmost importance. Mr. Blackwelder and Mr. Dorris called for a stainless steel casing and stainless steel annulus with a cement bond log behind it.

Several Board Members requested the following and Brad Dugas agreed to the following: 1) Stainless steel casing in the water well. 2) Submit well schematics to Ty Edwards for approval before drilling the well. 3) They would drill the well within 45 days. 4) Once the facility is closed, and after the 5-year period that the water well will be plugged.

Janet Groth made a motion to approve the application for a drilling application for Sprint Karnes County Disposal, LLC with a special permitting condition that the well diagram and schematics for the well be approved by Ty Edwards before drilling begins. The motion was seconded by Vanessa Cardwell. Motion Carried. Vote: 8 For. 1 Opposed. 2 Absent.

Note: Special Permit Condition:

1. Sprint Karnes County Disposal, LLC (Sprint) is authorized to drill a water well on their property as indicated in the subject drilling application.
2. Prior to commencement of drilling, Sprint shall submit the proposed well diagram and schematics to the District's General Manager, and may only commence drilling of the proposed well upon approval of the well diagram and schematics by the General Manager.

REGULAR BOARD MEETING – CONTINUED

The Regular Board meeting reconvened at 3:20 p.m.

- III Consider and/or act upon **Minutes of Regular Meeting for February 19, 2019.**
John Dorris made a motion to approve the minutes of February 19, 2019 as presented. Motion seconded by Jeff Sims. Motion carried unanimously.
- IV Consider and/or act upon **Accounts Payable, Treasurer's Report and Line Item Transfers for the Month Ending February 28, 2019.**
Alvaro Mandujano, Jr., made a motion to approve the accounts payable and treasurer's report (there were no line item transfers) for the month ending February 28, 2019.
- V Consider and/or act upon **Financial Audit for the Year ending 09-30-2018.**
Note: This agenda was considered earlier in the meeting. Refer to page 5 of the minutes.


- VI Consider and/or act upon **Depository Contract with Pecos County State Bank.**
John Dorris made a motion that MPGCD set policy and strategy to invest District funds in Demand Deposit accounts, Certificates of Deposit and other interest-bearing bank accounts at Pecos County State Bank- in compliance with the Public Funds Investment Act for the next 12 months. Motion seconded by Puja Boinpally. Motion carried unanimously.
- VII Consider and possible action to order **Jagged Peak Energy, LLC; Duran Drilling; and/or DrillPro Water Well Drilling Company** to appear before the Board at a show-cause hearing under Section 15 of the District's rules regarding allegations of unlawful drilling of wells located on Survey EV SWEATT Block OW Section 14 (112 acres) and Survey F.M. Hoffman Block OW Section 16 (46.2 acres) approximately four miles east of the intersection of FM 1776 and Mobil Road, and to direct the General Manager to issue the hearing notice for the date of our regular April Board meeting at 10:30.
- Puja Boinpally made a motion that Ty Edwards give Duran Duran and DrillPro Drilling a notice to appear at the next Board Meeting. Weldon Blackwelder seconded the motion. Note: This motion died for lack of a vote.
- Janet Groth made a motion to order Jagged Peak Energy, LLC to appear before the Board of a show cause hearing under section 15 of the District Rules regarding allegations of unlawful drilling of wells. Motion seconded by John Dorris. Motion Failed. Vote: 4 For. 5 Opposed. 2 Absent.
- Note: Puja Boinpally left the meeting at 3:55 p.m. before the next vote.
- Weldon Blackwelder made a motion to make a comparison between Jagged Peak and Randy Braden. Motion seconded by Vanessa Cardwell. Motion Carried. Vote: 8 For. 0 Opposed. 3 Absent.
- VIII Briefing and possible action regarding groundwater-related legislation filed in the **86th Legislative session.**
Troupe Brewer gave an overview of the groundwater related bills filed in the 86th legislature. No action taken.
- IX **Progress Reports: Well Registrations, Production Permits, Drilling Permits, Data Loggers, Drought Monitor Map and ongoing Water Quality Analysis.**

Well Registrations: 2 exempt well registrations since our last meeting. Our total registrations are 3,151 and 942 of those are non-exempt registrations.
Production Permits: None at this time.
Drilling Permits: Charleton Resources will reapply for a San Andres well.
Monitor Wells: Working on monitor well installations.
Drought Monitor: The drought monitor report submitted in Board Information.

- X Consider and/or act upon **General Manager's Correspondence**.
- City of Fort Stockton: The wells on Section 71 are the City of Fort Stockton's, and they may want additional permits.
 - GMA 7: Meeting in Austin on March 21 & 22, 2019.
 - Rig Data Report: Pecos County has a current rig count of 24. 22 of those are in Coynosa.
 - Groundwater Summit: The Summit will be held in San Antonio, TX, on August 20-22, 2019.
- XI **Directors' Comments.**
Alvaro Mandujano, Jr.: If MPGCD is going to fine someone for drilling wells or selling or pumping off their lease, then we need to investigate and fine the others that are doing the same thing.
- XII Consider and/or act upon **agenda for next meeting**.
No action.
- XIII **Adjourn Board meeting.**
M. R. Gonzalez made a motion to adjourn the meeting. Seconded by John Dorris.
Motion carried unanimously. The meeting adjourned at 4:15 p.m.



M. R. Gonzalez, Secretary/Treasurer



Jerry McGuairt, President

Date Approved 4-16-19