

**MINUTES OF THE JANUARY 10, 2011
BOARD OF DIRECTORS MEETING OF
NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT**

The Board of Directors of North Plains Groundwater Conservation District met in regular session January 10, 2011 at 9:00 a.m. in the Board Room of the District office at 603 East First Street in Dumas, Texas. The following persons were present:

Members Present:

Daniel L. Krienke;
Bob Zimmer
Gene Born;
Harold Grall; and,
Brian Bezner.

Staff Present during part or all of the meeting:

Steve Walthour, General Manager;
Dale Hallmark, Assistant Manager/District Hydrologist;
Karen Mannis, Permitting Specialist;
Randy Coon, Natural Resource Specialist;
Pauletta Rhoades, Finance/Administraton Coordinator;
Kristen Alwan, Administrative/Permitting Assistant
Christie Frost, Production/Permitting Specialist; and
Odell Ward, Natural Resource Specialist.

Others present during part or all of the meeting:

Dr. Leon New;
Sabrina Leven;
Jerry Michels;
Qing wu Xue;
Kristy Synatschk;
Sysavath Sysombath;
Claud Drinnen;
Emmett Autrey;
Nicholas Kenny;
Lanny Bezner;
Mark Fullary;
Coy Barton;
Tom Forbes, Attorney;
F. Keith Good, Attorney; and,
Ellen Orr, Paralegal.

President Zimmer declared a quorum present and called the meeting to order at 9:09 a.m.

Harold Grall gave the invocation and Brian Bezner led the pledge.

President Zimmer then asked if there were persons present who desired to make Public Comment. No public comment was made.

Brian Bezner moved to remove item 2d from the Consent Agenda. Gene Born seconded the motion and it was unanimously approved by the Board.

Gene Born moved to approve the remaining items on the Consent Agenda, items 2a – 2c, consisting of the approval of the minutes of the November 9, 2010 and November 10, 2010 meetings of the Board of Directors; approval of district expenditures for November

1, 2010 through December 29, 2010; and approval of payment to Lemon, Shearer, Phillips & Good, P.C. for professional services and out-of-pocket expenses for the period of November 1, 2010 through December 29, 2010 in the amount of \$11,219.25. Harold Grall seconded the motion and it was unanimously approved by the Board.

Brian Bezner moved that the Board adopt the resolution, a copy of which is attached hereto as Exhibit "A" and incorporated herein as though set forth verbatim, not to collect optional 2011 ad valorem tax on personal property for personal boats, personal vehicles, airplanes, motor homes, and trailers for in Dallam, Sherman, Hansford, Ochiltree, Lipscomb, Hartley, Moore and Hutchinson Counties, Texas. Danny Krienke seconded the motion and it was unanimously approved by the Board.

Troy Dale Hallmark, P. G. was recognized for his fifteen years of service to the District.

The Board considered the Petition of Little Outfit Ranch, Ltd., a Texas limited Liability Company, to add Section 77, Block 7, CSS Survey, Dallam County, Texas to the territory of the District.

Brian Bezner moved that the Board find that if the land described in the Petition is added to the District it will be to the advantage of the Petitioner and the District. Gene Born seconded the motion and it was unanimously approved by the Board.

Brian Bezner moved that the Board approve and annex Section 77, Block 7, CSS Survey, Dallam County, Texas into the District. Gene Born seconded the motion and it was unanimously approved by the Board.

Steve Walthour presented a status report of the North Plains Groundwater Quality Assessment Program and proposed amendments to that program. Mr. Walthour stated:

Consistent with our mission statement, "*Maintaining our way of life through conservation, protection, and preservation of our groundwater resources*", addressing water quality issues that can affect our use of the groundwater resource today as well as the health of current and future generations of stakeholders is one of the most important aspects of protecting our way of life.

Today groundwater quality is generally excellent throughout the District. However, groundwater contamination does occur. For example according to a USGS Water Resources Investigations Report 02-4112 (Ground-Water Quality in the Central High Plains Aquifer, Colorado, Kansas, New Mexico, Oklahoma, and Texas, 1999), the USGS randomly sampled seventeen domestic wells across the District. Ten of the seventeen wells showed significant levels of Nitrate, Volatile Organic Hydrocarbons (VOCs), or pesticides.

In the past, the District's position has been to work with the other agencies created by the State of Texas and the federal government to protect the groundwater within the District from pollution. The District will continue to work with these agencies; however groundwater resource protection within the District is a local issue that directly affects our stakeholders. To address this local issue, the District must improve its water quality assessment capability to properly sample and reliably test for the above mentioned contaminants. To achieve these sampling and testing goals the District must:

- Train its personnel and develop resources to properly sample for standard chemistry, trace elements, VOCs, nutrients and pesticides;
- Secure an ongoing relationship with a laboratory that can test for these analytes; and

- Develop a routine sampling schedule and well sampling network to set a reference baseline to compare water quality results.

Increasing the quality and reliability of the water quality data allows the District to provide an ongoing assessment of the health of the resource, identify areas of concern for further investigation, and monitor pollution sources for better aquifer management and decision making.

The General Manager has directed the staff to develop an expanded proposal that will include a cost estimate to sample the wells and perform the lab analysis on water samples collected to characterize the water-quality. He anticipates the District would routinely analyze for the following constituent groups: standard chemistry, trace elements, nutrients, and pesticides as well as have the capability of sampling for VOCs.

Gene Born moved that the Board authorize the district staff and General Counsel to develop draft proposed rule amendments to require all owners of water wells used to supply water for oil and gas exploration and production activities and for mining activities to report their groundwater production and meter their wells. Brian Bezner seconded the motion and it was unanimously approved by the Board.

Danny Krienke moved that the Board approve the North Plains Groundwater Conservation District Annual Financial Report for the year ended September 30, 2010. Harold Grall seconded the motion and it was unanimously approved by the Board.

Harold Grall moved that the Board approve payment to Keeney, Hembree & Company in the amount of \$19,250.00 for auditing services and preparation of the North Plains Groundwater Conservation District Annual Financial Report for the year ended September 30, 2010. Brian Bezner seconded the motion and it was unanimously approved by the Board.

Gene Born moved that the Board approve the letter of engagement for Audit and Non-Audit Services to be performed by Keeney, Hembree & Company for 2010-2011 budget year. Brian Bezner seconded the motion and it was unanimously approved by the Board.

The Board meeting recessed at 10:22 a.m. and reconvened at 10:35 a.m.

Danny Krienke moved that the Board authorize purchase of the strip-tillage equipment as proposed by the Texas AgriLife Extension and Research at a price not to exceed \$25,000 and enter into a contract mutually beneficial to the District and Texas AgriLife Extension and Research. Texas AgriLife Extension and Research will be responsible for all maintenance and use of the equipment primarily at the North Plains Research Field, but it may be used for other research and extension related projects that benefit water conservation. Harold Grall seconded the motion and it was unanimously approved by the Board.

At 10:39 a.m., Director Phil Haaland arrived to participate in the Board meeting.

Danny Krienke moved that the Board approve funding the Texas AgriLife demonstration project not to exceed \$40,000 for the first year of the demonstration and authorize the General Manager to negotiate and execute a contract with Texas AgriLife Extension that will demonstrate a quantitative measurement of water conservation savings to the producer and the District. Funding is contingent upon the number of producers participating in the project. Funding for additional years will be contingent upon the performance of Texas AgriLife Extension during the Demonstrations and the demonstration in a report quantifying any water conservation savings. Brian Bezner seconded the motion and it was unanimously approved by the Board.

Harold Grall moved that the Board:

1. Approve the District cooperating with the High Plains Underground Water Conservation District No. 1, the Texas Alliance for Water Conservation (TAWC), Texas Tech University, and Texas AgriLife Extension and Research to form "*The Texas High Plains Initiative for Strategic and Innovative Irrigation Management and Conservation*" for the purposes of funding agriculture water conservation demonstration projects within the District and jointly promoting agriculture water conservation in Texas;
2. Approve the District seeking a Texas Water Development Board Agricultural Water Conservation Grant to fund a portion of the District's 200/12 Demonstration Project and other agriculture water conservation programs in the District;
3. Authorized the staff to apply budgeted District funds related to these programs for the purposes of the application process and project implementation; and
4. Present any proposed contract for funding for Board consideration.

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

The Board next considered the Request for Rehearing filed by Castleberry Ranch, Ltd. for its Application for Exception to Rule 3 and Rule 17; the December 8, 2010 correspondence of Marvin W. Jones, the attorney for Castleberry Ranch, Ltd., of Sprouse Shrader Smith, P.C.; and the December 18, 2010 correspondence from Marcus W. Norris, attorney for the City of Amarillo. Emmett Autrey, Director of Utilities for the City of Amarillo presented commentary to the Board and requested, on behalf of the City of Amarillo that the Castleberry Ranch Re-hearing Request be denied by the Board. The Board considered Rule 1.37 dealing with the definition of "Property" and discussed the Board's intent in requiring pooled Properties to be "contiguous". Danny Krienke and Phil Haaland both stated that at the time the Rules were adopted that the Board's interpretation of "contiguous" was that each Property to be pooled must be touching the other Property. Gene Born moved to deny the Request for Rehearing of Castleberry Ranch, Ltd. for its Application for Exception to Rule 3 and Rule 17. Danny Krienke seconded the motion and it was unanimously approved by the Board.

Tom Forbes, Esq., of Longbow Partners, LLP presented a report to the Board regarding filed and upcoming bills related to groundwater legislation and possible positions that the Board may wish to take during the 82nd Legislative Session. Danny Krienke moved that the Board authorize the General Manager, in conjunction with the Executive Committee, to work with the government affairs representatives to accomplish the goals of the District during the legislative session and to keep the Board informed of the status of legislation. Harold Grall seconded the motion and it was unanimously approved by the Board.

The Board recessed for lunch at 12:18 p.m. and reconvened at 1:08 p.m.

Harold Grall moved that the Board approve the retainer agreement with David Swinford and Texas Strategy Group attached hereto as Exhibit "B", and incorporated herein as though set forth verbatim, to provide governmental consulting services in Texas. Phil Haaland seconded the motion and it was unanimously approved by the Board.

Phil Haaland moved that the Board approve as a general policy of the District the concept embodied in the draft Interlocal Agreement form attached hereto as Exhibit "C", and incorporated herein as though set forth verbatim. This concept is to assist those Property owners who have a Property which lies in to groundwater conservation District, i.e., North Plains Groundwater Conservation District and Panhandle Groundwater

Conservation District. By consensus, the Board authorized President Zimmer, General Manager Walthour and General Counsel, Keith Good to present the Interlocal Agreement to the Panhandle Groundwater Conservation District for discussion. Harold Grall seconded the motion and it was unanimously approved by the Board.

Gene Born moved to go into Executive Session in compliance with the Texas Open Meetings Act, Chapter 551 of the Texas Government Code, §551.071 for consultation with Keith Good of Lemon, Shearer, Phillips & Good, P. C. concerning attorney-client privileged matters involving legal counsel's discussion with the Board about options available to the District to pursue enforcement matters concerning persons who violated Rule 3 in calendar year 2009. Brian Bezner seconded the motion and it was unanimously approved by the Board.

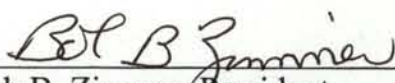
Executive Session: At 1:25 p.m. the Board went into Executive Session to consult with Keith Good regarding attorney-client privileged matters. At 1:35 p.m. Director Phil Haaland moved that the Board reconvene into regular session. Brian Bezner seconded the motion and it was unanimously approved by the Board.

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

Steve Walthour presented the General Manager's Report, including information concerning upcoming meetings and conferences; the General Manager's activity summary; and the District activity summary.

By consensus, the Board set February 10, 2011 at 9:00 a.m. as its next regular meeting.

Phil Haaland moved to adjourn the meeting. Brian Bezner seconded the motion and it was unanimously approved by the Board. President Zimmer declared the meeting adjourned at 1:33 p.m.


Bob B. Zimmer, President


Brian Bezner, Secretary

EXHIBIT A

RESOLUTION

NAME OF TAXING ENTITY: North Plains Groundwater Conservation District

NAME OF GOVERNING BODY: NPGCD Board of Directors

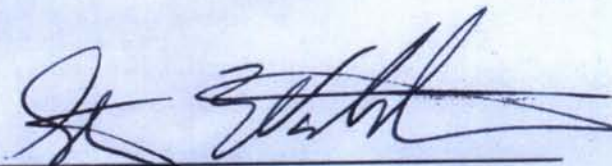
The governing body named above hereby resolves the following in regards to optional personal property taxation for 2011 for the taxing entity named above. This resolution was adopted in the regular board meeting held January 10, 2011.

TO TAX PERSONAL BOATS	YES	<input checked="" type="radio"/> NO
TO TAX PERSONAL VEHICLES	YES	<input checked="" type="radio"/> NO
TO TAX AIRPLANES	YES	<input checked="" type="radio"/> NO
TO TAX MOTOR HOMES	YES	<input checked="" type="radio"/> NO
TO TAX TRAILERS	YES	<input checked="" type="radio"/> NO

NOTE: If you decide to tax personal property you must tax ALL items listed above, you cannot choose which items to tax.

AUTHORITY: TEXAS PROPERTY TAX CODE SECTION 11.14

APPROVED: January 10, 2011

X 

Steven D. Walthour, P.G.
General Manager



EXHIBIT B

1005 CONGRESS AVENUE, SUITE 480 · AUSTIN, TEXAS 78701 · (P) 512.476.2644 · (F) 512.476.7297 · WWW.TXSTRATEGY.COM

December 22, 2010

Mr. Steven Walthour, General Manager
North Plains Ground Water Conservation District
605 East First Street
Dumas, Texas 79029

Re: Retainer Agreement with North Plains Ground Water Conservation District

Dear Mr. Walthour:

Thank you very much for your interest in the Texas Strategy Group. We appreciate the opportunity to provide governmental consulting services in Texas to the North Plains Ground Water Conservation District. Texas Strategy Group is committed to providing the highest level of service in furtherance of your goals. This agreement will describe the terms under which that representation will occur.

You have asked that we represent the North Plains Ground Water Conservation District in your governmental affairs activities. The entire team of Texas Strategy Group's lobbyists will be available to advance the District's interests.

In exchange for these services, the North Plains Ground Water District has agreed to pay Texas Strategy Group \$2000 per month for a six-month period beginning on January 1, 2011, and ending on June 30, 2011. The agreement may continue in place thereafter on a month-to-month basis upon such terms and conditions as are mutually agreeable to the parties at that time. Texas Strategy Group will send an invoice on the first of each month and payment is due by the end of each month. All payments should be remitted to P.O. Box 10570, Tallahassee, FL 32302. This agreement may be terminated by either party with 30 days written notice.

Costs directly attributable to the performance of this work will be billed in addition to the monthly retainer, and these costs may include travel and other expenses incurred on the District's behalf. Monthly costs that exceed \$250 will not be incurred without your prior approval. Also, by signing below, you agree that you will complete any forms necessary to comply with lobbyist registration requirements under Texas law that may arise as a result of our representation of the District during the term of this contract or after its termination should reporting periods overlap.

POWERFUL ADVOCACY. COAST TO COAST. BORDER TO BORDER.

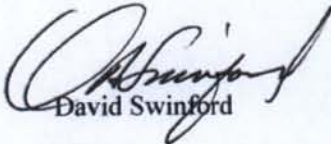


Mr. Steven Walthour
December 22, 2010
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It should also be noted that Texas Strategy Group has affiliated offices in other states. Texas Strategy Group has a policy of declining representation of clients when that representation would immediately create a direct conflict with other clients in the state in which the representation occurs. You have retained Texas Strategy Group for representation in Texas, and we know of no conflicts with our current clients in this state. In order to ensure the candor and trust in our relationship that forms the basis of effective representation, it is the policy of Texas Strategy Group to keep confidential within each state office all information about your business interests and strategies.


I believe the above reflects our understanding. If it does, please sign the two originals of this agreement and return one for our files. I appreciate your attention to this matter and look forward to working with you. Please never hesitate to contact me if the Texas Strategy Group can assist the North Plains Ground Water Conservation District in any way.

Sincerely,



David Swinford

DS/cc



North Plains Ground Water Conservation District

1-10-2011
Date

Interlocal Agreement

The North Plains Groundwater Conservation District ("North Plains") and the Panhandle Groundwater Conservation District ("Panhandle") enter into this Agreement regarding the regulation of groundwater in Section _____ Ochiltree and Roberts Counties, Texas ("Property").

Recitals

Whereas, North Plains and Panhandle are groundwater conservation districts which are political sub-divisions of the State of Texas and charged with the conservation, preservation, and protection of groundwater within each of the respective districts; and,

Whereas, The Property is owned by David Peckenpaugh of Perryton, Texas ("Peckenpaugh").

Whereas, The Property is located in Roberts County, Texas (Panhandle) and in Ochiltree County, Texas (North Plains) and the groundwater rights thereunder are presently subject to the jurisdiction of both Panhandle and North Plains; and,

Whereas, The parties deem it in the best interest of all parties for the Property to be governed and regulated by the Rules of one groundwater conservation district because governance will be more effective and efficient; and,

Whereas, North Plains and Panhandle are authorized to enter into this Agreement under the Interlocal Contract provisions of Chapter 791 of the Texas Government Code.

Now, therefore, Ten Dollars (\$10.00) and other valuable considerations, the receipt of which is hereby acknowledged, the Parties agree to the following:

Agreement

1. North Plains and Panhandle agree to permit the subject Property to be regulated by the groundwater conservation district designated by Peckenpaugh (the "Designated District"). Provided however, the following conditions shall apply:

- (a) The entire property so regulated shall not exceed one section consisting of 640 acres more or less;

(b) The Property shall not be subject to, and shall be restricted from, pooling with any other property for production limitation purposes regardless of the rules of the Designated District.

(c) The terms of this Agreement shall not affect the payment of the ad valorem taxes on the Property. Ad valorem taxes shall be paid to the groundwater conservation district in which each parcel of the Property is situated.

2. This Agreement shall be effective on _____, and will remain in full force and effect for one (1) year. This Agreement shall automatically renew for successive one-year terms unless sooner terminated in accordance with the provisions of this Agreement.
3. This Agreement may be amended only by a written amendment executed by both Districts.
4. Either District may cancel this Agreement upon written notice by certified mail to the other District at least thirty (30) days prior to the renewal date of the Agreement. Provided, however, if this Agreement is terminated, the owner of the

Property, if in compliance with the Rules of the Designated District, shall not then be found in violation of any Rules of the Non-Designated District.

5. This Agreement has been made under and shall be governed by the laws of the State of Texas. Venue and jurisdiction of any suit or cause of action arising under, or in connection with, this Agreement shall lie exclusively in Roberts County, Texas.

DRAFT