

**MINUTES OF THE JULY 10, 2009
BOARD OF DIRECTORS MEETING OF
NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT**

The Board of Directors of North Plains Groundwater Conservation District met in regular session July 10, 2009 at 9:00 a.m. in the Board Room of the District office at 603 East First, Dumas, Texas. The following persons were present:

Members Present:

Daniel L. Krienke;
Gene Born;
Bob Zimmer;
Phil Haaland;
Brian Bezner; and
Wesley Spurlock.

Staff Present during part or all of the meeting:

Steve Walthour, General Manager;
Dale Hallmark, Assistant Manager/District Hydrologist; and
Casey Tice, Compliance Coordinator;
Karen Mannis, Well Permitting Specialist; and
Pauletta Rhoades, Administrative Assistant.

Others present during part or all of the meeting:

Steve Stevens;
Cody Cartwright;
Joyce Hinsley;
Leon New;
Thomas Marek;
Dr. John M. Sweeten;
Keith Good, Attorney for the District; and
Ellen Orr, Paralegal.

President Krienke declared a quorum present and called the meeting to order at 9:05 a.m.

Bob Zimmer gave the opening prayer and Gene Born led the pledge.

At 9:07 a.m. the Board then adjourned into the scheduled Show Cause Hearing for Todd L. Williams, Glen Heiskell, Dennis Karl Thompson, Ernesto Flores, d/b/a S & E Farms, Craig Taft, Scott Stedjie, Quentin Harper and Cody Don Cartwright for failure to timely report 2008 Annual Production. At 9:35 a.m. President Krienke closed the Show Cause Hearings.

President Krienke then asked if there were persons present who desired to make Public Comments. No Public Comment was presented to the Board.

Casey Tice was recognized for his five-years of service with the District.

Bob Zimmer moved to remove all items from the Consent Agenda. Wesley Spurlock seconded the motion and it was unanimously approved by the Board.

Wesley Spurlock moved to approve the May 5, 2009 Minutes of the Board of Directors Meeting. Gene Born seconded the motion and it was unanimously approved by the Board.

Bob Zimmer moved to approve District expenditures for April 28, 2009 through June 30, 2009. Gene Born seconded the motion and it was unanimously approved by the Board.

Wesley Spurlock moved to approve payment to Lemon, Shearer, et al for professional services and out-of-pocket expenses from April 1, 2009 through June 30, 2009, in the amount of \$6,533.60. Brian Bezner seconded the motion and it was unanimously approved by the Board.

Gene Born moved to approve payment to Kemp Smith, P. C. in the amount of \$13,986.28 for legal and professional services. Wesley Spurlock seconded the motion and it was unanimously approved by the Board.

Wesley Spurlock moved to allow ad valorem tax discounts in Lipscomb County in 2009 for persons who paid 2009 ad valorem taxes prior to January 1, 2010. Phil Haaland seconded the motion and it was unanimously approved by the Board.

Bob Zimmer moved to propose a Compromise Settlement Agreements to Todd Williams for failure to timely report 2008 Annual Groundwater Production in the amount of \$6,900.00, of which a \$1,000.00 partial payment must be paid to the District by August 7, 2009; a District approved flow meter must be installed on any un-metered Wells on Unit 1995 by August 15, 2009; and the partial payment shall be treated as fully satisfying the Agreement if Todd Williams does not breach the provisions of the District's standard Settlement Agreement for this Property for three-years. Phil Haaland seconded the motion and it was unanimously approved by the Board.

Bob Zimmer moved to propose a Compromise Settlement Agreements to Quentin Harper for failure to timely report 2008 Annual Groundwater Production in the amount of \$10,700.00, of which a \$2,000.00 partial payment must be paid to the District by August 7, 2009; a District approved flow meter must be installed on any un-metered Wells on Sections 155 and 250, Block 2, GH & H Survey, Hansford County, Texas by August 15, 2009; and the partial payment shall be treated as fully satisfying the Agreement if Quentin Williams does not breach the provisions of the District's standard Settlement Agreement for this Property for three years. Phil Haaland seconded the motion and it was unanimously approved by the Board.

Bob Zimmer moved to propose a Compromise Settlement Agreement to Cody Don Cartwright for failure to timely report 2008 Annual Groundwater Production and for breach of an April 27, 2007 Settlement Agreement with the District in the amount of \$38,863.17, of which a \$4,000.00 partial payment must be paid to the District by August 7, 2009; a District approved flow meter must be installed on any un-metered Wells in Sections 43 and 44, Block 2, GH & H Survey, Sherman County, Texas by August 15, 2009; and the partial payment shall be treated as fully satisfying the Agreement if Cody Don Cartwright does not breach the provisions of the District's standard Settlement Agreement for this Property for three years. Gene Born seconded the motion and it was unanimously approved by the Board.

Bob Zimmer moved to continue the Scott Stedjie show cause hearing until 9:00 a.m. on August 11, 2009. Phil Haaland 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 the violation of the District's Rules by producers. Bob Zimmer seconded the motion and it was unanimously approved by the Board.

Executive Session: At 10:13 a.m. the Board went into Executive Session to consult with Keith Good regarding attorney-client privileged matters. At 10:33 a.m., Director Bob Zimmer moved that the Board reconvene into regular session. Wesley Spurlock seconded the motion and the motion was unanimously approved by the Board.

The Board discussed Show Cause Order 09-002 issued to Ernesto Flores d/b/a S & E Farms for failure to timely report 2008 annual groundwater production to the District. Wesley Spurlock moved to assess a civil penalty in the amount of \$6,550.00, plus \$50 per day from June 12, 2009 until the 2008 Annual Production Report is filed with the District against Ernesto Flores d/b/a S & E Farms for failure to timely report 2008 annual groundwater Production on Unit 293, plus attorneys fees of \$2,500.00; that the attorney for the District make demand upon Mr. Flores to pay the civil penalty and costs by August 22, 2009, or the District file suit in Moore County Texas and seek all relief available to it under its Rules and the Statutes of the State of Texas. Gene Born seconded the motion and it was unanimously approved by the Board.

The Board discussed Show Cause Order 09-005 issued to Glen Heiskell for failure to timely report 2008 annual groundwater production to the District on Unit 2360. Wesley Spurlock moved to assess a civil penalty in the amount of \$6,550.00, plus \$50 per day from June 12, 2009 until the 2008 Annual Production Report is filed with the District against Glen Heiskell for failure to timely report 2008 annual groundwater Production on Unit 2360, plus attorneys fees of \$2,500.00; that the attorney for the District make demand upon Mr. Heiskell to pay the civil penalty and costs by August 22, 2009, or the District file suit in Moore County Texas and seek all relief available to it under its Rules and the Statutes of the State of Texas. Gene Born seconded the motion and it was unanimously approved by the Board.

Wesley Spurlock moved to approve the following Well Permits as complete and active:

| COUNTY | OWNER | WELL | C L | MAX | QURT | SEC | BLK | SUR | YARDS S | YARDS EW |
|----------|-------------------|---------|--------|------|------|-----|-----|---------|------------|-------------|
| DALLAM | VOGEL BROTHER | DA-2897 | C | 800 | NE | 17 | 48 | H&TC | 869N | 260E |
| DALLAM | CITY OF AMARILLO | DA-2900 | C | 800 | NW | 24 | 5 | CSS | 588N | 37W |
| DALLAM | TILLMAN BRADLEY | DA-3152 | B | 400 | SW | 11 | 2 | CSS | 870S | 738W |
| DALLAM | RKD HOLDINGS | DA-3154 | C | 800 | SE | 16 | 6 | CSS | 806S | 216E |
| DALLAM | P-M FARMS LLC | DA-3157 | C | 800 | NW | 76 | 5 | CSS | 821N | 123W |
| DALLAM | 0208 TXUS HARTLEY | DA-3158 | C | 800 | NW | 33 | 5 | CSS | 452N | 333W |
| DALLAM | 0208 TXUS HARTLEY | DA-3164 | C | 800 | NE | 33 | 5 | CSS | 456N | 615E |
| DALLAM | NIKKEL DONOVAN | DA-3167 | B | 400 | SW | 4 | 6 | CSS | 121S | 572W |
| DALLAM | PFUFF FARMS | DA-3186 | D | 1200 | SE | 3 | 3 | CSS | 124S | 815E |
| DALLAM | PFUFF FARMS | DA-3187 | D | 1200 | SE | 4 | 3 | CSS | 114S | 128E |
| DALLAM | HILLTOP WEST | DA-3190 | B | 400 | SE | 2 | 3 | CSS | 125S | 27E |
| DALLAM | HILLTOP WEST | DA-3191 | C | 800 | NW | 2 | 3 | CSS | 416N | 442W |
| DALLAM | BECKER DELBERT | DA-3198 | C | 800 | SW | 71 | 1 | ME HAYS | 861S | 40W |
| HANSFORD | FIVE W FARMS | HN-1921 | D | 1200 | SE | 83 | 4-T | T&NO | 0S | 159E |
| HANSFORD | AG PARTNERS | HN-1926 | D | 1200 | NW | 181 | 2 | GH&H | 324N | 860W |
| HANSFORD | AG PARTNERS | HN-1927 | D | 1200 | NE | 120 | 2 | GH&H | 442N | 123E |
| HANSFORD | DAVIS HATTIE M | HN-1945 | C | 800 | SE | 6 | 0 | WRAILEY | 122S | 108E |
| HARTLEY | MENTAL RESOURCE | HA-2389 | B | 400 | NE | 52 | 13 | CSS | 221N | 196E |
| HARTLEY | OPPLIGER FARMS | HA-2397 | C | 800 | NW | 62 | 13 | CSS | 867N | 126W |
| HARTLEY | MENTAL RESOURCE | HA-2404 | B | 400 | SE | 38 | 13 | CSS | 113S | 585E |
| HARTLEY | OPPLIGER FARMS | HA-2434 | C | 800 | SW | 47 | 13 | CSS | 25S | 234W |
| HARTLEY | SCHNIEDERJAN L | HA-2519 | C | 800 | SW | 0 | 0 | LOGAN | 119S | 901W |
| HARTLEY | 0208 TXUS HARTLEY | HA-2534 | D | 1200 | NW | 5 | 5 | CSS | 850N | 0W |
| HARTLEY | 0208 TXUS HARTLEY | HA-2542 | C | 800 | SW | 14 | 5 | CSS | 68S | 13W |
| HARTLEY | XIT FEEDERS | HA-2563 | C | 800 | SW | 95 | 2 | B&B | 158S | 108W |
| HARTLEY | KAY DEE FARMS LLP | HA-2565 | C | 800 | SE | 254 | 44 | H&TC | 152S | 833E |

| | | | | | | | | | | |
|-----------|-------------------|---------|---|------|----|-----|-----|--------|-------|-------|
| HARTLEY | FOUR STAR MIDDLE | HA-2574 | C | 800 | NE | 55 | 13 | CSS | 408N | 418E |
| HARTLEY | CDF DALHART | HA-2576 | C | 800 | NW | 1 | Q | HGN | 48N | 837W |
| HARTLEY | 0208 TXUS HARTLEY | HA-2577 | C | 800 | NE | 5 | 5 | CSS | 324N | 869E |
| HARTLEY | CDF DALHART | HA-2594 | C | 800 | NE | 1 | A-3 | PSL | 585N | 118E |
| HARTLEY | FERRIS FARMS LTD | HA-2595 | C | 800 | NW | 98 | 48 | H&TC | 53N | 412W |
| HARTLEY | SWECKER GERALD | HA-2596 | B | 400 | SE | 85 | 4 | CSS | 476S | 429E |
| HARTLEY | HARTLEY SMITH | HA-3000 | D | 1200 | SW | 0 | 0 | OLOGAN | 195S | 172W |
| HARTLEY | WOODY COLT | HA-3004 | C | 800 | NW | 41 | 21 | CSS | 182N | 425W |
| MOORE | WILLIAMS DONALD | MO-2283 | C | 800 | SW | 101 | 3-T | T&NO | 877S | 811W |
| MOORE | CULWELL THERON | MO-2305 | C | 800 | NE | 228 | 3-T | T&NO | 591N | 870E |
| MOORE | BRILLHART G&J INC | MO-2320 | B | 400 | SE | 222 | 3-T | T&NO | 830S | 352E |
| MOORE | STAMPEDE FARMS | MO-2322 | C | 800 | NW | 0 | 0 | MARTIN | 2093N | 1307W |
| MOORE | STRINGER BERKLEY | MO-2337 | D | 1200 | SW | 198 | 44 | H&TC | 802S | 391W |
| MOORE | CDF DALHART | MO-2384 | D | 1200 | SW | 11 | Q | H&GN | 108S | 380W |
| MOORE | MEIL DOUGLAS | MO-2388 | C | 800 | NW | 26 | 2-T | T&NO | 36N | 23W |
| MOORE | MITCHELL MARTE | MO-2396 | B | 400 | SE | 252 | 3-T | T&NO | 487S | 466E |
| OCHILTREE | TEXAS FARM LLC | OC-1289 | A | 100 | NW | 917 | 43 | H&TC | 264N | 111W |
| OCHILTREE | TIMMONS DELBERT | OC-1317 | C | 800 | SE | 35 | 4 | GH&H | 8S | 351E |
| OCHILTREE | JOHNSON STEVE | OC-1336 | C | 800 | SE | 35 | 4 | GH&H | 22S | 829E |
| OCHILTREE | THORPE ROBERT | OC-1337 | C | 800 | NW | 108 | 13 | T&NO | 490N | 102W |
| SHERMAN | LLWL LTD | SH-2314 | C | 800 | NE | 146 | 1-C | GH&H | 839N | 169E |
| SHERMAN | 4R FARMS INC | SH-2356 | D | 1200 | SW | 28 | 3-T | T&NO | 100S | 417W |
| SHERMAN | EWERS JOHNNY | SH-2359 | C | 800 | SE | 270 | 1-T | T&NO | 102S | 444E |
| SHERMAN | ALLEN WILLIAM | SH-2371 | C | 800 | SW | 263 | 1-T | T&NO | 0S | 100W |
| SHERMAN | ALLEN WILLIAM | SH-2372 | C | 800 | NW | 284 | 1-T | T&NO | 450N | 100W |
| SHERMAN | ALLEN WILLIAM | SH-2373 | C | 800 | SE | 284 | 1-T | T&NO | 414S | 122E |
| SHERMAN | STAMPEDE FARMS | SH-2380 | C | 800 | SE | 10 | 3-B | GH&H | 444S | 838E |
| SHERMAN | JACKSON DAVID | SH-2385 | C | 800 | SW | 32 | 3-T | T&NO | 586S | 736W |
| SHERMAN | ALLEN WILLIAM | SH-2386 | C | 800 | SE | 284 | 1-T | T&NO | 0S | 129E |
| SHERMAN | ALLEN WILLIAM | SH-2387 | C | 800 | SW | 284 | 1-T | T&NO | 870S | 869W |
| SHERMAN | ALLEN WILLIAM | SH-2388 | C | 800 | SW | 263 | 1-T | T&NO | 447S | 106W |
| SHERMAN | STRATFORD GRAIN | SH-2392 | C | 800 | SW | 399 | 1-T | T&NO | 419S | 136W |
| SHERMAN | AG PARTNERS | SH-2393 | D | 1200 | SE | 36 | 3 | GH&H | 871S | 849E |
| SHERMAN | AG PARTNERS | SH-2394 | D | 1200 | SE | 31 | 2 | GH&H | 365S | 494E |

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

The Board recessed at 10:43 a.m. and reconvened at 10:58 a.m.

Brian Bezner moved that the Board accept the donations from the Texas Cattle Feeders Association in the amount of \$2,500, the Texas Corn Producers Board in the amount of \$15,000, and the Texas Pork Producers Board in the amount of \$2,500 for the completion of a socio-economic impact study on the effects of reduced allowable annual production of groundwater on local economies. Phil Haaland seconded the motion and it was unanimously approved by the Board.

Brian Bezner moved the Board amended the 2008-2009 Budget as follows:

| Budget Item | Budget Amount | Requested Increase/Decrease | Proposed Amended Budget |
|--------------------------------|---------------|-----------------------------|-------------------------|
| 7000 – Professional Fees (A+B) | \$205,000.00 | 71,000.00 | 276,000.00 |
| 7200 – Capital Outlay (C) | 35,000.00 | 50,000.00 | 85,000.00 |

Gene Born seconded the motion and it was unanimously approved by the Board.

Gene Born moved the Board increasing the well permit application fee to \$500.00 and discontinuing the \$250 deposit beginning October 1, 2009.

Bob Zimmer moved that the Board approve creating a \$25.00 fee for filing pooling documents for the producers within the County of the pooling activity beginning July 11, 2009 at 8:00 a.m.

Phil Haaland moved to go into Executive Session in compliance with the Texas Open Meetings Act, Chapter 551 of the Texas Government Code, §551.071 for consultation with Keith Good of Lemon, Shearer, Phillips & Good, P. C. concerning attorney-client privileged matters involving personnel health benefits, personnel annual leave and personnel retirement programs. Brian Bezner seconded the motion and it was unanimously approved by the Board.

Executive Session: At 11:11 a.m. the Board went into Executive Session to consult with Keith Good regarding personnel matters. At 12:02 p.m., Director Brian Bezner moved that the Board reconvene into regular session. Bob Zimmer seconded the motion and the motion was unanimously approved by the Board.

Wesley Spurlock moved to table changing the employee benefits regarding the Health Benefits Program, the Retirement Program and Annual Leave. Brian Bezner seconded the motion and it was unanimously approved by the Board.

By consensus, the Board desired to place the consideration of the proposed 2009-2010 North Plains Groundwater Conservation District annual budget on the agenda for the August 11, 2009 Board Meeting.

Dr. John Sweeten presented a proposed lease contract to the Board between North Plains Groundwater Conservation District and the Board of Regents of The Texas A & M University System, for the use and benefit of Texas Agrilife Research. Bob Zimmer moved to approve the proposed Lease Contract between North Plains Groundwater Conservation District and the Board of Regents of The Texas A & M University System, for the use and benefit of Texas Agrilife Research, subject to the review and approval of the proposed Lease Agreement by the District's legal counsel by the August 11, 2009 Board Meeting. Gene Born seconded the motion and it was unanimously approved by the Board.

Wesley Spurlock departed the meeting at 12:25 p.m.

Daniel L. Krienke reported to the Board that on July 7, 2009, the Joint Planning Committee of GMA-1 met twice to ratify its actions regarding setting DFCs and to approve the minutes of the first meeting. The Joint Planning Committee ratified its actions from May 13, 2009, and adopted the minutes for the meeting.

The Board recessed for lunch at 12:55 p.m. and reconvened at 2:02 p.m.

The Board discussed the possible expansion of the District's groundwater conservation program.

The Board discussed the District's approved metering methods.

The Board discussed District Well spacing and Domestic Wells.

Keith Good, legal counsel for the District disclosed to the Board that Lemon, Shearer, et al had represented the George W. Arrington family in various matters for several years, but had not represented the Arrington family in water transactions. Mr. Good stated that

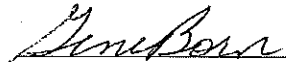
G & J Ranch, Inc. through its attorney, Marvin Jones, had filed a petition opposing the desired future conditions established by Groundwater Management Area No. 1 and that the Board should be aware of the firm's past representation of the Arrington family. Mr. Good also stated that he had advised the Arrington family of the firm's past representation of the District. By consensus, the Board desired that the law firm of Lemon, Shearer, Phillips & Good continue representing the District in regard to GMA-1 matters after Mr. Good's disclosure to the Board.

By consensus, the Board set the next regular meeting at 9:00 a.m. on August 11, 2009 in the District office.

Phil Haaland moved to adjourn the meeting. Gene Born seconded the motion and it was unanimously approved by the Board. President Krienke declared the meeting adjourned at 3:51 p.m.



Daniel L. Krienke, President



Gene Born, Secretary