

**MINUTES
HARRIS-GALVESTON SUBSIDENCE DISTRICT
REGULAR MEETING
OF THE BOARD OF DIRECTORS
JUNE 11, 2014
10:00 A.M.**

MEMBERS OF THE BOARD PRESENT: Alan Petrov (Chair), Susan Baird, Edgar Barlow, Chris Canonico, Pete Côté, James Edwards, Joe Goins, Alberto Gonzalez, Ken Hufstetler, Don Johnson, Bill Latimer, Pam Puckett, Dennis Sander, Kyle Sears, Linn Smyth and Robert Ybañez.

MEMBERS OF THE BOARD ABSENT: Jason Hayley, Paul Maaz and Lindall Murff.

PRESIDING: Alan Petrov

Chairman Petrov called the meeting to order at 10:07 a.m. in the Boardroom of the District office and announced the presence of a quorum.

APPROVAL OF THE MINUTES

1. Mr. Sander moved that the minutes of the regular meeting of May 14, 2014, be approved as presented; it was seconded by Ms. Smyth. Chairman Petrov put the question and, after the vote, announced the motion carried.

HEARING EXAMINER'S REPORT

2. Ms. Helen Stewart Truscott presented the Hearing Examiner's Report for May 2014 (Exhibit #1).
 - 2.1 Ms. Truscott reviewed the testimony and findings for the recommendations of the May hearing and continued Fairview Equity Holdings, LLC, Antonio Guzman, Kingwood Christian Church Lloyd Mosley, Roberto Rivera, Domiltilo A. Silva, Smith Estates and Dan Starr, as well as 19 new wells and 60 wells with violations.
 - 2.2 Mr. Turco reported that Denbury Onshore, LLC filed water well applications to drill five wells into the Jasper formation of the Gulf Coast aquifer. The groundwater would be injected into deeper formations to aid in producing natural gas. The application is for 1.5 billion gallons per year in aggregate. Staff is recommending an 18 month permit in the amount of 2.2 billion gallons along with special provisions allowing the District to monitor subsidence and water levels at the site.
 - 2.3 Ms. Smyth motioned to sever and table the Denbury Onshore, LLC permit recommendation until after the Executive Session; it was seconded by Mr. Sears.

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Chairman Petrov put the question and after the vote, announced the motion carried.

- 2.4 Ms. Smyth moved to accept the Hearing Examiner's recommendations, excluding Denbury Onshore, LLC; it was seconded by Mr. Canonico. Chairman Petrov put the question and after the vote, announced the motion carried.

EMERGENCY PERMITS

3. The Board considered the General Manager's actions in granting emergency permits to Paul Barnhart, Castlewood Development, Inc., D.E. Harvey Builders, Harris Co. MUD 536, Houston Petroleum Company, Felipe Mendoza, Abdias Rivera, Sanhedrin II, LP, Chad Verrett, Cain Walker, West Harris County MUD 7 and Emilce Zapeta. No appeals were filed and no motions were made to reconsider the actions taken by the General Manager.

RESOLUTION ADOPTING 2014 GROUNDWATER REPORT

4. Robert Thompson presented the 2014 Annual Groundwater Report for the year ending December 31, 2013, as presented at the public hearing. He presented precipitation data, groundwater usage data, aquifer water-level data, and subsidence data as well as the USGS data detailing water-level altitude maps for each aquifer and subsidence measurements taken monthly from 13 extensometer sites as part of a cooperative agreement between the Harris-Galveston Subsidence District, the Fort Bend Subsidence District, the Lone Star Groundwater Conservation District, the Brazoria County Groundwater Conservation District, and the City of Houston. Mr. Thompson also reviewed the data from the NGS for the District's PAM sites and CORS sites, showing the subsidence level changes on a quarterly basis.

- 4.1 Ms. Baird moved to adopt Resolution No. 2014-935 adopting the 2014 Groundwater Report; it was seconded by Ms. Smyth. Chairman Petrov put the question and, after the vote, announced the motion carried.

RESOLUTION ADOPTING THE 2014 GROUNDWATER REPORT

(This resolution is in full in the official records of the Harris-Galveston Subsidence District being Resolution No. 2014-935).

ORANGE GROVE WATER SUPPLY COMPANY GROUNDWATER CONSERVATION PLAN

5. Mr. Turco announced the Proposed Groundwater Conservation Plan (GCP) for Orange Grove Water Supply Company was presented to the Rules Committee and that no alternative water was available in the area.
- Orange Grove Water Supply Company submitted a GCP. The plan covers expected demand for the next five years and includes:
 - Four-stage drought management plan

- Repair and replace all malfunctioning meters
- Record well usage daily
- Read all meters Monthly
- Submit request to TCEQ for Tiered Rate Scheduled
- Audit system to identify leaks
- Education
- Repair leaks with 24 hours of notice
- The District staff will review their progress on a yearly basis during the renewal of their permit.

3.1 Mr. Hufstetler moved adoption of Resolution No. 2014-935, approving the proposed Groundwater Conservation Plan for Orange Grove Water Supply Company; Ms. Smyth seconded the motion. Chairman Petrov put the question and, after the vote, announced the motion passed unanimously.

RESOLUTION TO APPROVE THE PROPOSED GROUNDWATER CONSERVATION PLAN FOR ORANGE GROVE WATER SUPPLY COMPANY

(This resolution in full is in the official records of the Harris-Galveston Subsidence District being Resolution No. 2014-935).

GENERAL MANAGER'S REPORT

6. Mr. Turco submitted the General Manager's Report.

EXECUTIVE SESSION REGARDING PENDING OR CONTEMPLATED LITIGATION OR SETTLEMENT OFFERS

7. The Board of Directors went into Executive Session at 11:27 a.m. as authorized by the Open Meetings Act, Section 551.071, Government Code, to discuss proposed settlement offers and pending or contemplated litigation in consultation with the General Counsel and personnel matters.

7.1 Mr. Ybañez has left the meeting.

7.2 Following Executive Session, the Board resumed the open meeting at 12:10 p.m.

COMPROMISE AND SETTLEMENT AGREEMENTS

8. Mr. Johnson moved to accept the counter offers from Big Leroy's Auto Parts (\$1,340.00), Kim-Loan Troung (\$1,350.00), Houston Cao Dai Temple (\$100.00), Edward L. Haile & Associates (\$1,343.00) and Maria J Defoe (\$450.00); it was seconded by Mr. Côté. Chairman Petrov put the question and, after the vote, announced the motion carried. Mr. Sander abstained from voting.

9. Mr. Johnson moved to make offers to Nandlal Bhagpait (\$808.00), Arturo Ledezma

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(\$472.00), Lillja Road Baptist Church (\$1,343.00); it was seconded by Mr. Côté. Chairman Petrov put the question and, after the vote, announced the motion carried. Mr. Sander abstained from voting.

10. Mr. Goins moved to approve the permit for Denbury Onshore LLC, for the 2.2 billion gallons for the permit term of 22 months with the special provision requiring the permittee to limit withdrawals to no more than 10% of their annual Total Water Demand or pay disincentive fees on 90% of their authorized withdrawals; it was seconded by Mr. Canonico. Chairman Petrov put the question and, after the vote, announced the motion failed. (Yeas – 7, Nays - 8) (Yeas – Barlow, Canonico, Côté, Edwards, Goins, Johnson, Smyth; Nays – Baird, Edwards, Gonzalez, Hufstetler, Latimer, Petrov, Puckett, Sander, Sears).

11. Ms. Baird moved to accept the Hearing Examiner's recommendations for Denbury Onshore LLC; it was seconded by Mr. Hufstetler. Chairman Petrov put the question and, after the vote, announced the motion carried. (Yeas – 10, Nays - 5) (Yeas – Baird, Barlow, Côté, Gonzalez, Hufstetler, Latimer, Puckett, Sander, Sears, Smyth; Nays – Canonico, Edwards, Goins, Johnson, Petrov).

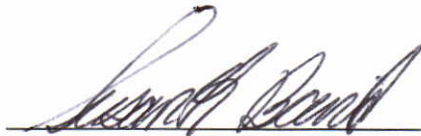
THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, THE MEETING WAS ADJOURNED.

BY:



Chairman

ATTEST:



Secretary