

VOTED NAY
VOTED AYE
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MOVED

ROLL CALL WAS ANSWERED BY COUNCIL MEMBERS:
RUBEN FALCON, JAMES WARNOCK, PAM PALILEO &
MIKE URETA, JR.
ABSENT: DINO RAMIREZ

MAYOR: JOE CHRIS ALEXANDER
CITY MANAGER: FRANK RODRIGUEZ III
CITY SECRETARY: DELMA A. GONZALEZ
CITY ATTORNEY: JESSE GONZALES, JR.

Mayor Alexander called the Special Meeting to order at 5:30 p.m. after declaring a quorum present.

Mayor Pro-Tem Ureta gave the Invocation.

Council Member Palileo led the Pledge of Allegiance & Pledge to the Texas Flag.

Mayor Alexander read the Mission Statement: “The Mission of the City of Fort Stockton Municipal Government is to Promote & Value Public Confidence and Trust by the Accountable and Responsible Use of Community Resources; to Ensure Public Safety; Improve Public Services; Promote Local Recreation and Entertainment; and Generate Economic Development.”

FIRST ORDER OF BUSINESS:

- 1. Discuss/Act upon S-Power Solar Lease Option Agreement and Land Lease Agreement at the City's Blue Ridge Property; As Well as Authorizing City Manager and City Water Attorney to Send Notification Letter to Schuyler Wight.**

City Water Attorney Harral summarized that Blue Ridge was approximately 6,600 acres of land and the majority of space covered under this lease was being used for cattle grazing. Farming was also existent but only where a lot of water production was occurring. Apart from easements, etc. the City currently had agreements with Halcon, Oxy, and WaterBridge.

In his deliberations with S•Power, they sought to complete a solar facility at Blue Ridge. If approved, the proposed lease provided an options phase for the company to compensate the City approximately \$7,500 on a quarterly basis and once the construction process launched to a full-blown operation, the City would be paid \$15,000 quarterly. As soon as the facility was commissioned, S•Power would pay the City over \$900,000 yearly for the next 30 years. These funds could be used for infrastructure, etc.

Earlier that day, he received an email from another solar company that wanted to make an offer to the City for a similar project. This local company had recently completed the financing for another solar project. He needed to accurately determine what this company was willing to offer the City and could return, if City Council chose, with a second quote during the June 26, 2018 meeting.

CITY OF FORT STOCKTON, TEXAS
 MINUTES OF: SPECIAL CITY COUNCIL MEETING
 DATE OF MEETING: JUNE 19, 2018
 TIME OF MEETING: 5:30 P.M.
 PLACE OF MEETING: CITY HALL COUNCIL CHAMBER

ROLL CALL WAS ANSWERED BY COUNCIL MEMBERS:

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Based on this calculation, this S•Power Solar Farm was 1,957 acres with 200 megawatts. Both of these projects could conceivably co-exist on the same property but he would need to research further in the best interest of the City.

This company had an outstanding inner connection agreement with a local transmission company and therefore was further along in building a project than the other party. Their intent was to reallocate the interconnection agreement that was allocated to a different project to this one. It was a good agreement but the other company also needed to be considered.

Council Member Falcon inquired if S•Power was asking the City for support &/or endorsement for abatements?

City Water Attorney Harral replied that the abatement process was completed by the company and not a part of the easement process. If Pecos County refused to grant an abatement then they could elect to place a portion of their facility in Reeves County.

Motion made, seconded and carried unanimously to Table this item until the June 26, 2018 Regular City Council Meeting.

SECOND ORDER OF BUSINESS:

2. Discuss/Act upon Halcon's Letter Agreement to Purchase Water for Bailey Water Wells on City-Owned Property.

City Water Attorney Harral expressed that at times it had been rather "testy" between the City and Halcon regarding certain funds owed to the City but in the past two weeks, Halcon had been uncomplicated to work with. He confirmed that the settlement payment from Halcon was paid to the City for the amount that was agreed upon earlier this year.

Halcon intended to drill on Blue Ridge property in a few days because they planned to start a frack in August. They were tied into some of the wells in Pecos County and recently laid 1.5 miles of fast line to connect to some of the water wells that were not tied into Schulyer Wight's farming operation. He and his assistant were checking this process every 2-3 days to ensure that everything was being done appropriately, meters checked regularly, etc.

Also, Hanson's plans were to drill 2 oil & gas wells or 2 water wells on their same surface pad site on Blue Ridge; they anticipated using approximately 300,000 barrels of water. The price for the water for Hanson's on-site use on City property

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The permitting process was modified to separate drilling and production. An applicant would now be required to obtain a drilling permit, drill the well, and complete a capacity test on the well. If a well was validated, the applicant could proceed with the production permit phase.

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What this meant for the City when it obtained a drilling permit and drilled a water well was that it would now have "Investment Back Expectations" being that it expended a certain amount of money and expected to produce water from that well. He was satisfied with this rule because it essentially stated that if an applicant spent a great sum of money to obtain a production permit, it made it even more difficult for the MPGCD to deny a production permit if the well could produce as asked for. He was not concerned about the City and believed that major landowners would be able to afford to drill wells but it would impact some smaller businesses/property owners due to financing issues. Overall, the City would benefit from this rule. This "Investment Back Expectations" would play an integral role in the Water Code for the next 12 months.

FOURTH ORDER OF BUSINESS:

4. Update on WaterBridge's Progress at Blue Ridge Property.

City Water Attorney Harral reported that WaterBridge had spent a lot of time developing their pipeline infrastructure in Reeves County. Manifolds would be incorporated into their project for when water was exported from Reeves County wells and for when they started to sell water. The final part of that infrastructure &/or construction begin Monday at Blue Ridge after the easement for EnWater was approved by the City on June 12th.

He met with their hydrologist who had vast experience working in the Middle Pecos. WaterBridge had two options; either update the old water wells which would consume a large portion of their \$250,000 budget or drill new water wells in Reeves County which would be higher producing and deeper water wells in the Pecos Valley aquifer. Both options would be provided to the City within 2-4 weeks.

From an economic standpoint, it would cost less to replace an older well with a new well because if every well was video-cammed and a "hole" was discovered.... the entire well would have to be removed to meet TCEQ standards.

In 2011, Hydrologist Thornhill completed a preliminary study of Blue Ridge that indicated that this property could produce a relatively large amount of water if the City needed it in the future. He planned to update the hydrology model and to analyze all of the assorted water production capabilities for each well. Hydrologist Thornhill was the only person that had developed a functional Edwards Trinity water model in Pecos County.

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His recommendation regarding this concern would be presented to City Council followed by making the request to Oxy that they alter their metering to ensure proper payment to the City because there were numerous/additional lines that were being laid to Blue Ridge for off-site versus on-site.

Before being paid by Oxy, figures would be verified at the end of each month to ensure accuracy. Verifications would continue because Blue Ridge was developing into the water hub for both produced water and water production.

Oxy planned to frack two additional oil wells from October – December 2018 and 1-2 million barrels of water will be needed from the City. A plan was needed to ensure that water would be available which would likely originate from on-site and from Pecos County wells.

SIXTH ORDER OF BUSINESS:

6. Discuss/Act upon Field Surveys for Salt Creek Midstream LLC at Blue Ridge Property: AB 5922 BLK. 50-9 SEC. 14, T&P, AB 5924 BLK. 50-9 SEC. 23, T&P, AB 5925 BLK. 50-9 SEC. 27, T&P, & AB 5920 BLK. 50-9 SEC. 26, T&P.

City Water Attorney Harral commented that the City previously approved a similar agreement with this company; a request to survey a smaller section of City property. In continuing with the easement acquirement process, they determined that it would be better to deal with with one landowner that covered a large amount of land.

Their intent was to begin an oil pipeline in Blue Ridge to export water from Halcon's facilities and others in that general area. His recommendation was that the survey be approved and if the survey proved to be beneficial, could then advance to the easement which would exceed \$500,000 to the City and would be received within the next 2-3 months depending on the outcome of the survey. Funds could be allocated for infrastructure costs that the City will incur next year *i.e.* sewer in town, sewer at prison, landfill, Police Department Building, etc. Money generated from Blue Ridge could offset expenses typically funded by taxpayers. Salt Creek Midstream previously offered approximately \$300 per rod for the pipeline.

Over \$200,000 was generated this year from saltwater disposal. Fortunately, this was a long-term asset for the City with monthly recurring checks being \$14,000-\$24,000.

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MINUTES OF LAST MEETING:
 According to an article, a bottleneck would transpire with oil & gas development in Pecos and Reeves Counties due to a shortage of oil pipelines. This will be a problem for those wishing to develop in the area.

A contract provision would be inserted that Salt Creek Midstream needed to respect every existing-use agreement that the City had plus they would be required to accommodate WaterBridge as well as all other contracts that the City had approved.

Motion was made, seconded and carried unanimously to approve Field Surveys for Salt Creek Midstream LLC at Blue Ridge Property: AB 5922 BLK. 50-9 SEC. 14, T&P, AB 5924 BLK. 50-9 SEC. 23, T&P, AB 5925 BLK. 50-9 SEC. 27, T&P, & AB 5920 BLK. 50-9 SEC. 26, T&P.

Mayor Alexander recessed from the Special Meeting @ 6:02 p.m.

SEVENTH ORDER OF BUSINESS:

7. City Council May Convene in Closed Session in Accordance with the Texas Open Meetings Act, Texas Government Code, Concerning Attorney-Client Matters (§551.071); Deliberation regarding Real Property (§551.072); Deliberation regarding Prospective Gifts (§551.073); Personnel Matters (§551.074); and/or Deliberation regarding Security Devices (§551.076):

- Ref:* (a) Proposed Memorandum of Understanding (MOU) with Schuyler Wight related to Grazing and Farming Lease at City's Blue Ridge Properties.
 (b) City's Surface-Use Agreement with West Texas Chili Company, LLC, Aaron Boese, regarding use of Stockton Farms.
 (c) Legal Services Contract with Mark A. Harral, JD; now with Harral and Associates, PLLC.

Mayor Alexander closed the Executive Session(s) @ 6:07 p.m. to reconvene into the Special Meeting. He asked that City Council consider removing Item (c) *Legal Services Contract with Mark A. Harral, JD; now with Harral and Associates, PLLC* from Executive Session and place it in Open Session.

Mayor Pro-Tem Ureta expressed that Items (a) & (b) would be discussed in Executive Session under "Consultation with Attorney regarding pending or contemplated litigation."

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Motion was made, seconded and carried unanimously to Remove Item (c) *Legal Services Contract with Mark A. Harral, JD; now with Harral and Associates, PLLC* from Executive Session and place it in Open Session and Items (a) & (b) would be deliberated in Executive Session under *"Consultation with Attorney regarding Pending or Contemplated Litigation."*

Mayor Alexander recessed from the Special Meeting @ 6:10 p.m. to convene into the:

SEVENTH ORDER OF BUSINESS:

7. City Council May Convene in Closed Session in Accordance with the Texas Open Meetings Act, Texas Government Code, Concerning Attorney-Client Matters (§551.071); Deliberation regarding Real Property (§551.072); Deliberation regarding Prospective Gifts (§551.073); Personnel Matters (§551.074); and/or Deliberation regarding Security Devices (§551.076):

Ref: (a) Proposed Memorandum of Understanding (MOU) with Schuyler Wight related to Grazing and Farming Lease at City's Blue Ridge Properties.

(b) City's Surface-Use Agreement with West Texas Chili Company, LLC, Aaron Boese, regarding use of Stockton Farms.

Mayor Alexander closed the Executive Session(s) @ 6:43 p.m.

EIGHTH ORDER OF BUSINESS:

8. Reconvene into Open Session Pursuant to Texas Government Code Section §551.102 & Take Action, if any, on Matters Deliberated in Executive Session:

(a) Discuss/Act upon Proposed Memorandum of Understanding (MOU) with Schuyler Wight related to Grazing and Farming Lease at City's Blue Ridge Properties.

No Action Taken.

(b) Discuss/Act upon the City's Surface-Use Agreement with West Texas Chili Company, LLC, Aaron Boese, regarding use of Stockton Farms.

No Action Taken.

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 MINUTES OF LAST MEETING:

OPEN SESSION:


Discuss/Act upon Legal Services Contract with Mark A. Harral, JD; now with Harral and Associates, PLLC.

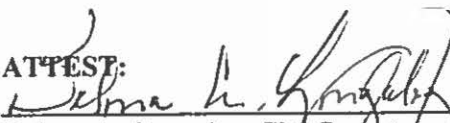
No Action Taken.

NINTH ORDER OF BUSINESS:

9. Questions from the Media on Agenda Items.

There being no further business, the Special City Council Meeting was adjourned @ 6:45 p.m.


 Joe Chris Alexander, Mayor

ATTEST:

 Delma A. Gonzalez, City Secretary