

Northwood Lake Estates Homeowners Associations

June 14, 2019

**George Fina Municipal Building,
314 Edmond Road, Piedmont, Ok 73078**

AGENDA

- I. Welcome and Quorum Determined
- II. Discussion on selling water from the lake
- III. Vote on selling water
- IV. Adjourn

Council Attendees: Josh Layman, Johnnie Tate, Elaine Hayes, Kyle Taylor, Stacey Burris, Jeff Johnson, Trisha Parker, Titian Burris, Chris Hendrickson

Northwood Lake Estates Homeowners Associations
Meeting Minutes
June 11, 2019

I. Welcome and Quorum Determined

Kyle Taylor called the meeting to order at 7:10 pm. A quorum was determined.

II. Discussion on selling water from the lake

Voting structure: One vote per lot owned in the neighborhood.

Concern about the quick timing of the meeting.

This a resident-requested special meeting to discuss the sale of water from the lake that was brought to the council in Annual Meeting.

The council explained that time is of the essence if we want to take advantage of the opportunity. We also have an unusually wet summer at-hand and if we want to consider this we need to act now while our lake levels are high. The O&G company will not wait on us, their production schedule has already started.

The council has been conducting research for some time to ensure the opportunity is fully vetted with a solid path forward before bringing it to the neighborhood for vote.

How did they determine how much water is in the lake?

Envirotech Consulting did an independent survey, which is detailed in the email sent. This detailed how many gallons exist in the lake at each depth.

Tim Graham, resident, offered the following information...

- At 117 acres of lake, we're looking at roughly 75,500 barrels per inch. The lake was boated with sonar attached. They plot the lake on grid and then give an measurement based on those findings.
- 1.2 million barrels would draw 17.5 inches off the 117 acres as a max draw-off. This would be the maximum usage.
- When you frac a well, the bigger picture is to deliver an amount of water well. We can stipulate a minimum lake-level they must maintain. If the lake drops below a certain level, we can make them re-fill it to meet the minimum level. If this were to happen, they would truck fresh water from smaller ponds in the region to refill our lake.
- The lake water doesn't belong to the neighborhood. They have to pull a permit in order to draw water, as it technically belongs to the state of Oklahoma.
- We can put a physical marker on the lake to measure against to manage water draw.

Council input on how the contract is to be structured.

The intention is to structure the contract to sell water one well at a time so we can monitor usage and impact on lake levels before committing to future wells. Red Bluff is in favor of this type of agreement and no concerns are expected.

The council will take all input from residents and work with a contract attorney to ensure any contract agreed to is properly structured to protect NWLE's interests and assets.

Why are we not voting on the verbiage for a contract?

We cannot explore writing a contract until we get approval via vote to sell water to start with. The council will take all feedback from residents and establish proper guidelines if we continue forward.

Comments regarding resident funds.

We had a resident state they would rather pay \$300 per resident to raise funds than sell the water in the lake. Further discussion on this option did not continue.

Comments on current lake levels.

Our spillway is 12 inches tall and we currently have one full inch of water spilling over the spillway today. If the maximum amount of draw-off is utilized, the lake will reduce by 17.5 inches which would be roughly 5 inches below the spillway and still well above normal lake levels.

The spillway was raised 12 inches compared to historical maintenance of the lake. Historical records show the typical lake level puts the water line 30 feet west of the spillway.

We have an odd weather pattern producing an unseasonably wet summer that we can take advantage of to earn funds to better our neighborhood. Lowering the lake level will also make it easier to better assess the current state of the spillway and make corrections.

Comments regarding Falcon Lake who had a similar opportunity and similar concerns regarding dam maintenance.

Mr. Biggs shared that Falcon lake had a dam failure. The drainpipe that goes through the dam was eroding and ultimately failed. We have a similar concern with our draw-down (drain) as it is eroding on the east side. We need to rebuild the earth and place rip rap to prevent further erosion and a potential failure. Falcon fracked a full well and it barely impacted lake levels and they only have a 20-acre lake.

How will the money be used?

Large capital investments must go to vote for approval. This is a mechanism in our covenants that help protect the usage of funds. The neighborhood will have a say in how large maintenance items are scheduled and funded.

Strong areas of need are dam repair and maintenance, spillway repair, road repair.

Concerns about future management of such opportunities.

The residents have control over what happens with this particular issue (and similar issues). If there are any concerns about future management of water sales, the residents could petition to call for a change and vote.

Operational insight as known today.

We do not have a definite location on where the pump would be staged. The intention is for the pump and hoses to be run in the least cumbersome spot possible to prevent inconvenience for residents. The pump will make some noise, so impact on neighbors will be carefully considered.

Water trucks will not come in/out of the neighborhood.

It will take roughly 3-4 days to frac a well. This is the period during which the water would be pumped. This will be a diesel pump. They will not have the pump running unless they are fracking.

If passed, next steps will include...

We'll start dealing with an attorney and Red Bluff to determine the terms of the contract, addressing any concerns and structuring the agreement.

We will not have opportunity for another vote before we proceed. All residents are welcome to attend future meetings and provide any and all assistance through the process.

We have at most 18 days to get this done in order to take advantage of this opportunity.

We do have an attorney that will help with contract structure. We will be dealing with a contract lawyer, not necessarily an "oil & gas" attorney. We will utilize an attorney that specializes in contracts.

III. Vote on selling water

Ron Scarberry made a motion to take the vote. Nicole Pepin seconded the motion.

Out of 148 votes, including proxy, 112 were yes and 36 were no. The vote passed and we will proceed with next steps with Red Bluff.

IV. Adjourn

Stacey Burris made a motion to adjourn. Josh Layman seconded the motion. The meeting adjourned at 8:16 pm.