Item 5 – Consideration & Adoption of Proposed Rule Revisions

The proposed rule revisions on the following pages have been heard in the Rules Hearing held Wednesday, July 15, 2026, prior to the beginning of the Regular Board meeting. The General Manager posted the following rules for public review and comments before being considered for adoption.

Rule 1.1 (28) & (43) Rule 6.1(b) & (b)(1)

Rule 7.2(d)(1)(B) & (H)

Rule 7.2(d)(3)(G)(i) & (ii), (iii), (iv), (x)

Rule 8.3(k)

Rule 10.2(c)(1) & (2), (3), (4), (5)

Rule 10.4(d) & (g)

Agenda Item 5 is posted for consideration and adoption of the proposed rule revisions.

RULE 1.1. DEFINITIONS OF TERMS

(28) "Monitoring Well" means a well utilized to measure properties of the groundwater or aquifer it penetrates. A monitor well can be used to measure water levels and/or groundwater quality. The District may adopt a guidance document(s) for required monitoring well drilling, equipping, operating, and reporting standards.

(43) "Transport" means transferring, exporting, or moving groundwater outside the District's boundaries.

RULE 6.1. REQUIRED SPACING

(a) To minimize as far as practicable the drawdown of the water table and the reduction of artesian pressure, to control subsidence, to prevent interference between wells, to prevent degradation of water quality, and to prevent waste, the District will enforce spacing requirements on all new wells in the District for which the registration or permit was approved by the District after September 14, 2023. Wells permitted or registered on or before September 14, 2023, are regulated by the spacing requirements of the District Rules that were in effect prior to September 14, 2023.

The TDLR well-spacing regulations required by 16 Texas Administrative Code Section 76.100, as amended, apply to all exempt and non-exempt wells in the District, unless a more stringent rule is adopted by the Board herein

(b) Spacing in Wells, Except in the Brazos River Alluvium

As stated below, there are two types of spacing requirements, both of which apply to all new non-exempt wells and wells registered to provide water for oil and gas drilling, completion, or production in the District, other than those in the Brazos River Alluvium Aquifer. The first spacing rule is the distance that the well site must be from the perimeter of the ~~real~~ property ~~that is~~ legally assigned to ~~that~~ a well under Rule 7 .1. The second spacing rule is the distance that the well site must be from all permitted nonexempt wells and all registered exempt wells.

(1) Spacing of all new non-exempt wells completed in the District, other than the Brazos River Alluvium Aquifer, shall be one foot per gallon per minute (1 ft/gpm) of average annual production rate or capacity from the perimeter of the property that is legally assigned to that well under Rule 7.1.

A new well may not be drilled within a minimum of 50 feet from the perimeter of the property that is legally assigned to that well.

(2) Spacing of all new non-exempt wells completed in the District, other than the Brazos River Alluvium Aquifer, shall be two feet per gallon per minute (2 ft / gpm) of average annual production rate or capacity from a permitted or registered well in the same aquifer formation that is in the District or is being applied for to the District by the applicant

RULE 7.2. ACTIONS BASED ON AQUIFER RESPONSE TO PUMPING

(d) The District shall initially adopt three threshold average aquifer drawdown levels to act as triggers to provide for increased levels of District regulatory responses based on the change in three (3) consecutive years average aquifer drawdown levels across the District for an aquifer. The District shall monitor how rapidly each threshold is achieved and amend or add new thresholds as better hydrological assessment data becomes available. The initial DFC threshold levels are: Level 1, Level 2, and Level 3. Each level will be based on an average of three (3) consecutive years immediately prior to reaching the trigger. The District-approved methodology to calculate the District-wide average aquifer drawdown and the protocol to measure static water levels shall be adopted through the District's rulemaking procedures in Section 14 of the District's Rules.

(1) **DFC Threshold Level 1**. If Threshold Level 1 is reached, additional study and monitoring may be undertaken as appropriate at such time as the average aquifer drawdown on a District-wide basis, calculated with a District-approved methodology for an aquifer, is greater than **65 percent** of the average aquifer drawdown amounts adopted as a DFC for that aquifer in Section 5 of the Management Plan. The following District actions shall occur to enforce the Desired Future Conditions of the aquifers and to conserve and preserve groundwater availability and protect property rights of landowners and groundwater users:

(A) Adopt a Study Area(s) for an Aquifer(s). Based on the best available science, the District may designate Study Areas for portions of an aquifer within the District that are experiencing significant drawdowns of the aquifer levels, which may be caused by concentrated groundwater pumping, and develop additional hydrological data and analysis of the causes of the drawdown and hydrological trends developing and make recommendations for appropriate action.

(B) Monitor aquifer water levels. As of June 1, 2026, any new permit application(s) or permit amendment application(s) to increase the permitted production of an existing well that is required to submit a hydrogeologic study with its permit application, under Rule 8.4(b)(7)(B), shall install one (1) monitoring well for every 800 acre-feet/year of permitted groundwater, at permittee's expense. This monitoring well requirement applies to all operating and transport permit applications that require a hydrogeologic study. The number of monitoring wells required to be installed and operational may be adjusted by the Board, as determined to be reasonable. The monitoring well(s) shall be equipped with automated pressure transducers that utilize cellular and satellite telemetry to transmit water level measurement data directly to the District. The pressure transducer(s) shall be calibrated for accuracy at least annually, with a calibration verification submitted to the District. The monitoring well(s) may also be required for water quality testing.

(C) Monitor groundwater production in adjoining GCDs.

(D) Prepare an annual report on groundwater production and aquifer water-level and drawdown changes.

(E) Monitor groundwater production reports, with mandatory, if judged necessary by the District, meter checks on all permitted wells in the study area(s).

(F) Promote and require conservation and administer conservation credit program, once developed and approved.

(G) If DFC Threshold Level 1 is exceeded, the district may perform studies to provide additional information on the hydrogeology in the area. The results may be used to improve the Groundwater Availability Models and other methodologies used to analyze monitoring and pumping data and predict future aquifer response and groundwater availability.

(H) DFC Curtailment Category 3: All new use production permits issued after June 1, 2026.

In order to preserve historic and existing use and to achieve the adopted Desired Future Conditions, as authorized and required by Chapter 36 of the Texas Water Code, operating and transport permits subject to subsection *DFC Curtailment Category 3* that are non-historic production permits first issued after June 1, 2026, shall also contain the following conditions:

If at any time the District monitoring in the applicable aquifer falls below the applicable decadal interim value for the desired future condition adopted under Section 36.108(d-1a), Texas Water Code, as identified by Groundwater Management Area 12 and adopted by the District, pumping shall be curtailed until such time the District monitoring indicates water levels back to or above the applicable decadal desired future condition. The permittee shall not be curtailed below one acre-foot/acre/year of the contiguous acreage associated with the permit(s).

***

(3) **DFC Threshold Level 3**. If DFC Threshold Level 3 is reached, the Board shall consider amendments to the Management Plan, Rules and Regulations at such time as the average aquifer drawdown over the District for an aquifer, calculated with a district approved methodology, is greater than **90 percent** of the average aquifer drawdown amounts adopted as a DFC for that aquifer in Section 5 of the Management Plan. The following District actions shall occur to enforce the Desired Future Conditions of the aquifers and to conserve and preserve groundwater availability and protect groundwater users and groundwater ownership and rights:

(A) Consider Adoption of Depletion Management Zone(s) for the Aquifer(s). Based on the best available science, the District may designate Depletion Management Zones in areas of the District that are experiencing significant drawdowns of the aquifer levels, which may be caused by concentrated groundwater pumping. Within designated Depletion Management Zones, the District may adopt specific production limitations to alleviate the substantial stress on the aquifer(s). Management strategies within the designated Depletion Management Zones may include, but are not limited to, a reduction in groundwater production of existing and future permits and increased well spacing requirements. Amendments to permits due to Depletion Management Zone(s) curtailment will be subject to permit hearing procedures in Section 14 of the District's Rules.

(B) Monitor aquifer water levels.
(C) Promote/require conservation and administer conservation credit program, once developed and approved.
(D) Monitor groundwater production reports, with mandatory meter checks on all permitted wells in management zone.
(E) Monitor groundwater production in adjoining GCDs.
(F) Prepare annual report on groundwater production and rate of aquifer water-level changes.
(G) Curtailment of groundwater production as average aquifer drawdown amounts reach 90 percent of DFC or it's trending to exceed DFC. The District shall curtail groundwater production under DFC Threshold Level 3 as follows:

i. All groundwater production set by the District, under (G)(iii), below shall be reduced at the same time.
ii. Groundwater production shall be reduced based on a pro rata formula to be determined by the Board by the time the DFC Threshold Level 3 is reached. In promulgating any pro rata formula, the District shall preserve to the greatest extent possible historic uses and non-historic existing uses that were permitted by the District before June 1, 2026.

iii. The pro rata DFC curtailment formula will be applied to groundwater production in a different ratio, ~~based on whether the permit is a historic or non-historic production permit. For example, historic permits may be curtailed by X% of production and existing non-historic permits may be curtailed by 2(X)% of production.~~ depending on the category of the permit/ permitted use, as follows:

- *DFC Curtailment Category 1: Historic production permits*
  In order to preserve historic use, water wells with historic permits will either not be curtailed or curtailed at a lesser pro rata share than all non-historic wells.

- *DFC Curtailment Category 2: Non-historic production permits issued before or on June 1, 2026, for existing uses prior to June 1, 2026*
  In order to preserve historic and existing use, water wells with non-historic production permits will be curtailed at a greater rate than historic wells, but at a lesser rate than production permits issued after June 1, 2026.

- *DFC Curtailment Category 3: All new use production permits issued after June 1, 2026.*
  In order to preserve historic and existing use, water wells with non-historic production permits issued after June 1, 2026, will be curtailed at a greater rate than historic permits and production permits issued before June 1, 2026.

iv. Reductions to groundwater production (curtailment) will be based on actual production amounts and will be based on the maximum production from a well or aggregate of wells (under aggregated permits) that has been put to beneficial use in any permitted year.

v. Singly permitted wells will be reduced based on the production from the single well. Wells permitted in aggregate will be reduced in aggregate.
vi. The groundwater production reduction formula may be increased or decreased by the Board, based on the aquifer response to achieve the District's adopted DFCs.
vii. Groundwater production from registered exempt wells cannot be reduced by the Board, per existing law at the time of the adoption of this rule (January 14, 2016).
viii. Permitting New Wells after Curtailment. New wells will be permitted pursuant to District Rules, including but not limited to Sections 6 and 7. The permit amount will be immediately reduced by the total amount of curtailments that have already occurred within non-historic permits. Upon completion and equipping of the well, the permit holder has one (1) year to provide evidence of beneficial use, which will then become the basis for the curtailment amount, pursuant to (G)(iv) above.
ix. If Threshold Level 3 is exceeded, the District shall conduct a public hearing to discuss the status of the aquifer or aquifers and develop a response plan focused on achieving the district's goals and objectives, including not exceeding the DFCs. The response plan should be completed within six (6) months after the first public hearing and should be available to the public through the District's website.
x. Curtailment under this rule shall be implemented through a permit provision in all District-issued permits. Curtailment to each permit's authorized annual production amount shall occur immediately after DFC Threshold Level 3 is triggered and the Board adopts the pro rata curtailment rate.

Groundwater reductions that result from entering DFC Threshold Level 3 may be reinstated if aquifer levels rise and the average drawdown amount is less than 90% of the adopted DFC.

RULE 8.3. PERMITTING OF NON-EXEMPT WELLS

(k) Monitoring Wells

As of June 1, 2026, any new permit application(s) or permit amendment application(s) to an existing well that is required to submit a hydrogeologic study with its permit application under Rule 8.4(b)(7)(B) shall install one (1) monitor well for every 800 acre-feet/year of permitted groundwater, at permittee's expense. The number of monitoring wells required to be installed and operational may be adjusted by the Board, as determined to be reasonable. The monitoring well(s) shall be equipped with automated pressure transducers that utilize cellular and satellite telemetry to transmit water level measurement data directly to the District. The pressure transducer(s) shall be calibrated for accuracy at least annually, with a calibration verification document submitted to the District.

SECTION 10. TRANSFER OF GROUNDWATER OUT OF THE DISTRICT

RULE 10.1. PERMIT REQUIRED

Groundwater produced from a well within the District may not be transported outside the District's boundaries unless the Board has issued the well owner or operator a transport

permit, except as provided within these Rules.

RULE 10.2. APPLICABILITY

(a) ~~A person proposing to transport groundwater out of the District must obtain a transport permit, in addition to a drilling/operating permit for a new well, or an operating permit for an existing well, to:~~

~~(1) increase, on or after March 2, 1997, the amount of groundwater to be transferred under a continuing arrangement in effect before that date; or~~

~~(2) transfer groundwater out of the District on or after March 2, 1997, under a new arrangement.~~

A District-issued transport permit is required for all water that is transported out of the District. A transport permit amendment is required for any changes to the terms of a transport permit, including but not limited to changes in the amount of groundwater to be transported. Any transport of water out of the District that is not authorized by a transport permit violates District Rules and is subject to immediate enforcement under Section 15 of the District's Rules.

(b) The District may not prohibit the export of groundwater if the purchase was in effect on or before June 1, 1997.

(c) A transport permit for the transportation of water outside the District is not required for the transportation of groundwater that is part of a manufactured product~~, or the groundwater is to be used on property that straddles the District boundary line, or the groundwater is used within the existing contiguous service area of an existing retail public utility that straddles the District boundary line. Transportation of groundwater, created by the expansion of an existing retail public utility into counties that are not contiguous to the District, will require a transport permit~~.

The District shall grant an Existing Transport Permit, without the requirements for application, notice, nor hearing, to a permittee who holds an operating permit in the District prior to June 1, 2026, and transported water out of the District prior to that date without a transport permit under a prior exception, because the property straddles the District boundary or the groundwater is used within the existing contiguous service area of an existing retail public utility that straddles the District boundary line.

(1) The amount of water that is authorized to be transferred out of the District in the Existing Transport Permit shall be based on evidence of the highest amount of annual transport by the permittee in the ten (10) year period from 2015 to 2025.

(2) Export fees may not be charged on water exported under an Existing Transport Permit granted under Rule 10. 2(c)(2).

(3) An Existing Transport Permit, granted under Rule 10. 2(c)(2), may not be transferred to a different permittee, use, nor location of end use. Any such changes require a new transport permit application that fully complies with Section 10.

(4) An Existing Transport Permit may not be amended to increase the amount of water exported under that permit. Any such changes require a new transport permit application that fully complies with Section 10, and Rule 10. 2(c)(2) does not apply.

(5) An Existing Transport Permit may only be issued by the District if a permittee who qualifies under Rule 10. 2(c)(2) requests the Existing Transport Permit by February 1, 2027. If the Existing Transport Permit is not requested by that date, then the transporter must fully comply with Section 10 and Rule 10. 2(c)(2) does not apply.

RULE 10.4. HEARING AND PERMIT ISSUANCE

(d) (4) the installation and reporting of monitoring wells, which shall be equipped with automated pressure transducers that utilize cellular and satellite telemetry to transmit water level measurement data directly to the District. The pressure transducer(s) shall be calibrated for accuracy at least annually, with a calibration verification document submitted to the District. The number of monitoring wells required to be installed and operational may be adjusted by the Board, as determined to be reasonable;

(g) The Board shall act on all administratively complete transport permit amendment applications. Transport permit amendment applications to increase the amount groundwater to be transported and change the type of use are subject to a public hearing and associated permit notice under Section 14 of the District Rules. The District shall determine if other types of transport permit amendment applications are subject to a public hearing under Section 14, if it would better serve the public interest.