

Letter from Kyle Bass to Anderson County Judge Carey McKinney

To Judge Carey McKinney,

Conservation Equity Management, LP is a Texas-based private equity firm with offices in Dallas and Nacogdoches. Founded in 2021, CEM brings over three decades of experience in enhancing both the ecological and financial value of natural resource assets. Our mission is to combine private capital, innovation, and scientific rigor to address Texas' most pressing environmental challenges-strengthening the state's resilience, protecting its natural systems, and reducing public-sector burdens.

Since inception, CEM and its affiliates have invested in over 40,000 acres across Texas in projects ranging from ecological restoration and regenerative agriculture to sustainable water and timber management. In addition to company investments, CEM principals Kyle Bass and Terry Anderson hold personal land interests throughout the state.

This communication outlines two ongoing groundwater assessment initiatives that exemplify our conservation-forward approach:

- Redtown Ranch (~7,200 acres in Anderson & Houston Counties)
- Pine Bliss Ranch (~4,100 acres in Henderson County)

Both properties overlay the Carrizo-Wilcox Aquifer, which spans over 23 million acres across 66 Texas counties. Our work is grounded in phased, science-based exploration-strictly adhering to all applicable federal and Texas laws.

Scientific Rigor & Regulatory Compliance

CEM filed two Drilling Permit Applications with the Neches and Trinity Valleys Groundwater Conservation District, now scheduled for public hearings on June 19, 2025. These applications are the result of a multi-phase, independent scientific review:

1. Initial Assessment by Thornhill Group, Inc., a regional hydrogeologic sciences firm.
2. Secondary Review & Modeling by LRE Water, a nationally recognized hydrologic engineering firm. Additional input was provided by Vince Clause, P.G., now of Freese and Nichols.
3. Independent Validation by Mike Keester, P.G., of KT Groundwater.

Over a 6-month review process, CEM responded to multiple information requests from NTVGCD and legal counsel, ensuring full transparency and cooperation. Pending permit approval, CEM will drill exploratory wells for aquifer testing to validate the scientific modeling. Depending on results, CEM will either:

- Apply for production and transport permits,

- Proceed with a reduced or phased application,
- Or abandon the project entirely.

Regardless of outcome, our investment in high-quality groundwater data supports informed public policy, landowner decision-making, and long-term water security for the region.

Conservation as the Foundation

At CEM, conservation is not a slogan-it is our operating model. Alongside water studies, both ranches are actively managed for timber production, sustainable agriculture, wildlife habitat, and outdoor education. CEM's stewardship delivers broad benefits:

Public and Environmental

- Preserves Texas open space, private property rights, and native habitat.
- Improves surface water quality, landscape resilience, and biodiversity.
- Reduces flood risk through regenerative land management.

Community Engagement

- Provides access for youth hunting, outdoor classrooms, and law enforcement programs.
- Supports Texas Forestry Association, Texas Youth Hunting Program, and local educational outreach. — Collaborates with local authorities and conservation nonprofits.

Economic Development

- Participates in local markets and pays property taxes that fund schools, infrastructure, and emergency services.
- Hires local contractors and buys from local suppliers whenever possible.
- Supports local nonprofits through funding and volunteerism.

The Broader Context

Texas is growing rapidly. The Texas Legislature has recognized the urgent need to secure new, sustainable water supplies. Private investment in groundwater is not a threat-it is a vital complement to public resource management. CEM's approach is rooted in science, transparency, and accountability. We are committed to working with communities, regulators, and policymakers to responsibly explore whether our properties can contribute to the long-term water security of Texas.

We welcome public input and are committed to open dialogue throughout this process. If confirmed viable, these projects will be pursued with full respect for ecological integrity, community benefit, and lawful process.

Sincerely, J. Kyle Bass | CEO