

CROSS TIMBERS WATER SUPPLY CORPORATION

SENT VIA FAX (505)954-2010

February 11, 2016

Ms. Amy Lueders
State Director
Bureau of Land Management
New Mexico State Office
301 Dinosaur Trail
Santa Fe NM 87508

Dear Ms. Lueders:

The Cross Timbers Water Supply Corporation, a water supplier to over 6,000 residents in the area, formally issues our protest against the drilling of any oil and gas lease parcels in the Hickory Creek Branch of Lake Lewisville in Texas.

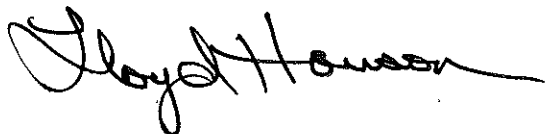
Lake Lewisville serves as the primary drinking water reservoir for Dallas and much of North Texas, including providing potable drinking water for our corporation and its 6,000 citizens.

Contamination of Lake Lewisville by toxic, carcinogenic and/or neurotoxic chemicals used in the drilling and hydraulic fracturing processes would render Lake Lewisville water undrinkable with negative consequences for the corporation, its members and customers who depend on this lake for potable drinking water. I also join with the City of Dallas and the Dallas Water Utilities in echoing their concerns (copies attached).

Oil and gas exploration and production in the area served by our corporation already has resulted in drilling into the aquifers and water tables supplying over 50% of the drinking water to the area. Further drilling into these aquifers will reduce the supply of water and the viability of these aquifers to provide an adequate and safe water supply for the future.

We, therefore, respectfully request that all lease parcels in the Hickory Creek Branch of Lake Lewisville, Texas be removed from the auction sales schedule for April 20, 2016 in Santa Fe, NM.

Sincerely yours,



Lloyd Hanson
General Manager

Memorandum



CITY OF DALLAS

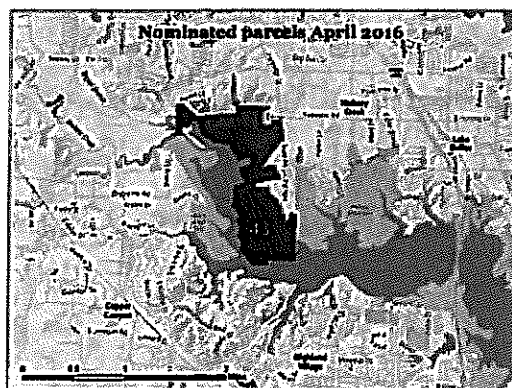
Date: February 9, 2016

To: The Honorable Mayor and Members of the City Council

Subject: Lake Lewisville Mineral Rights Lease

You may have recently seen in the newspaper or have heard that the U.S. Department of Interior Bureau of Land Management (BLM) will sell a 10-year mineral rights lease for a section of Lake Lewisville in an auction in Santa Fe, New Mexico on April 20.

The April 20, 2016 auction includes 43 parcels of land of which 32 are located in Texas. The Lake Lewisville parcel is 258.90 acres located along the Hickory Creek arm of Lake Lewisville along the north shoreline and west of I-35E as depicted in the figure to the right. In a conversation with the U.S. Army Corps of Engineers (Corps) there have been previous federal mineral leases awarded around Lake Lewisville including the Hickory Creek arm of the reservoir.



We did not receive any formal notification from the Corps or the BLM. We understand the only formal notice to the public was an online posting the BLM website. Notifying the City is not a part of BLM's rights leasing process. We learned about the mineral rights lease from a wholesale customer about a week ago. Since that time, staff has worked with the City Attorney's office to develop the attached comments and issues for a protest letter to be filed with BLM. Comments are due to the BLM no later than February 18, 2016. Based on comments received by the BLM, the BLM could add a stipulation to the lease, defer the sale, or delete the parcel from the sale.

Staff is also in contact with the U.S. Army Corps of Engineers to understand their perspective on the impact of the proposed lease on the Lake Lewisville Dam.

Please let me know if you have any questions or need additional information.


Mark McDaniel
Assistant City Manager

Attachment

c: A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager

Jill A. Jordan, P.E., Assistant City Manager
Joey Zapata, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Eric D. Campbell, Assistant City Manager
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager



**dallas water utilities
city of dallas**

February 9, 2016

Via fax (505-954-2010) and U.S. mail

Amy Leuders, Director
Bureau of Land Management
New Mexico State Office
301 Dinosaur Trail
Santa Fe, New Mexico 87508

Bureau of Land Management
New Mexico Office
P.O. Box 27115
Santa Fe, New Mexico 87502-0115

Re: Dallas Water Utilities' protest pursuant to 43 C.F.R. § 3120.1-3 of proposed auction by Bureau of Land Management ("BLM") of Parcel NM-201604-044 comprising approximately 259 acres in and adjacent to Lewisville Lake, Denton County, Texas (the "Lewisville Lake Property")

Dear Ms. Leuders:

I am the Director of Dallas Water Utilities (DWU), a department of the City of Dallas. DWU provides water and wastewater services to about 2.4 million people in Dallas and 27 nearby communities. One of DWU's primary water supply sources is Lewisville Lake in Denton County, Texas. DWU's service area extends to almost all of Denton County either directly or through its wholesale customers. As you may know, the U.S. Army Corps of Engineers ("Corps") operates Lewisville Lake to store DWU's water under a 1953 agreement with the City of Dallas. Pursuant to Article 3 of that agreement, the City has a "right to protect its water supply."

Although I regularly interact with the Corps and other federal agencies, I only recently discovered that the BLM will be conducting an oil and gas competitive lease sale in Santa Fe, New Mexico on April 20, 2016, which will include the Lewisville Lake Property. *See* BLM Notice of Competitive Lease Sale, Oil and Gas (January 20, 2016) (the "BLM Notice"). I am concerned that the proposed BLM action will interfere with DWU's mission to serve while protecting the health and safety of Dallas citizens and DWU's wholesale customers. In order to protect the public safety and water supply at Lewisville Lake, DWU hereby requests that the BLM withdraw the Lewisville Lake Property from its April 20, 2016 auction as authorized in the BLM Notice. This is the prudent course of action and consistent with the BLM's authority to "withdraw any and all parcels before the sale begins." *See* BLM Notice at p. iii.

Oil and gas production at the Lewisville Lake Property poses a significant risk to surface water quality. Surface water in the area in and around the land proposed to be auctioned flows

Our Vision: To be an efficient provider of superior water and wastewater service and a leader in the water industry.

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Telephone: (214) 670-3146 • Fax: (214) 670-3154

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directly to Lewisville Lake. As a result, any spills or releases of oil and gas waste and their hazardous components have the potential to impact the drinking water of Dallas residents and DWU's wholesale customers. These direct impacts from oil and gas activities have not been adequately studied and represent an unacceptable level of risk to DWU. Hydraulic fracturing, a process often used in conjunction with directional drilling to make oil and gas wells productive, and related wastewater disposal is associated with an increased risk of seismicity. The BLM Notice (at 45) includes a stipulation from the Corps that appears to encourage "directional drilling" adjacent to and underneath Lewisville Lake for the proposed lease.

In a recent guidance document, the U.S. Environmental Protection Agency ("EPA") concluded that proximity of hydraulic fracturing activities to a drinking water resource increases the potential for impacts and that residents and drinking water resources are most likely to be affected by potential impacts. *See* U.S. EPA's draft "Assessment of the Potential Impacts of Hydraulic Fracturing for Oil and Gas on Drinking Water Resources" (June 2015). The potential impacts are both above and below ground, including "water withdrawals in times of, or in area with, low water availability; spills of hydraulic fracturing fluids and produced water; . . . below ground migration of liquids and gases; and inadequate treatment and discharge of wastewater." *Id.* at ES-6. The EPA further noted that in 151 spills from oil and gas production, surface water supplies were contaminated 9% of the time. *Id.* at ES-13. Property under and adjacent to Lewisville Lake is particularly high risk because of its proximity to large drinking water supply.

More specifically, the federally required Environmental Assessment ("EA") performed by BLM on October 2015 identifies a number of risks to drinking water supplies that would result from the auction sale of the Lewisville Lake Property, including the following:

- Increased surface runoff and off-site sedimentation brought about by soil disturbance.
- Increased salt loading and water quality impairment of surface waters.
- Contamination of surface waters by produced water.

EA at 56-58. The EA further recognizes that "hazardous and/or solid wastes may be used during the development phase," EA at 42, and "exploration/development of the proposed lease could have result in the introduction of hazardous and non-hazardous substances to the site." EA at 66.

Because of the environmental risks to surface water supplies resulting from the proposed oil and gas production adjacent to and under Lake Lewisville, DWU requests that the BLM withdraw the Lewisville Lake Property from its April 20, 2016 auction.

Risks to the integrity of Lewisville Dam have not been adequately considered. The Corps acknowledged that the Lewisville Dam is "high risk." *See* USACE Dam Safety Facts for Lewisville Dam (November 2015). The Corps is currently working diligently to address the Lewisville Dam safety issues. Nevertheless, DWU is very concerned about sending the

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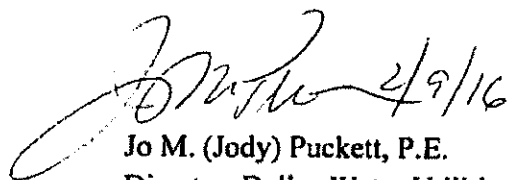
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Lewisville Lake Property to auction without consideration of crucial public safety issues. The EA performed by the BLM fails to account for any public safety or environmental impacts related to dam safety of the Corps' known issues at Lewisville Lake, so it is unclear whether the BLM properly considered the risks to Lewisville Dam. In addition, the Corps' current guidance for oil and gas activities in proximity to its dams, levees, and other facilities does not account for a dam with known safety issues, such as Lewisville Dam. Although DWU does not anticipate imminent failure of Lewisville Dam, DWU does not support activities such as oil and gas production with the potential to exacerbate the known safety issues at Lewisville Dam. Accordingly, BLM should withdraw the Lewisville Lake Property from auction.

DWU and other stakeholders have not been given an adequate opportunity to consider this proposal and voice their concerns. DWU received no notice from the BLM or any other federal agency regarding this oil and gas competitive lease sale. I understand that other stakeholders and many in the public were similarly surprised in the last week or so upon finding out about the BLM auction of the Lewisville Lake Property. In fact, the EA notes that the only notice to the public was being "posted online for a two week review period beginning August 31, 2015." EA at 73. Neither local governments nor the water-consuming public have had an adequate opportunity to review and consider the potential impacts of the BLM auction of the Lewisville Lake Property. For this reason alone, I am writing to you in haste requesting that the BLM withdraw the Lewisville Lake Property from the auction.

For the reasons listed above and others, please withdraw the Lewisville Lake Property from the April 20, 2016 auction, and contact me at the number below if you have any questions or concerns regarding this letter.

Respectfully submitted,



Jo M. (Jody) Puckett, P.E.
Director, Dallas Water Utilities
City of Dallas
214-670-3143

cc: COL Calvin C. Hudson II, District Commander, Fort Worth District
Brian S. Kamisato, P.E., Deputy District Engineer
Rob Jordan, Lake Manager, Lewisville/Ray Roberts Lakes