CONSERVATION
EQUITY MANAGEMENT

July 15, 2025

Chairman Harris and Members of the House Natural Resources Committee:

Thank you for the opportunity to participate in today's hearing. In anticipation of responding to questions that Committee Members may have, and assisting you in documenting the fact that our two sets of applications for permits pending before the Neches and Trinity Valleys Groundwater Conservation District are limited to drilling exploratory wells to conduct aquifer testing, I would like to share the following information with you:

Conservation Equity Management (CEM) is a Texas-based private equity firm that leverages private capital, innovation, and a commitment to conservation to address urgent environmental challenges. Our team is made up of passionate scientists, engineers, foresters, biologists, and ranchers who are deeply committed to conserving, restoring, and managing healthy ecosystems across Texas.

CEM filed applications with the NTVGCD in May 2024. Since then, we have responded to multiple requests for information from the district for modeling and other information that goes well beyond the information needed to issue a drilling permit. Additionally, much of the information, including copies of our hydrogeologic scientists' modeling work, is particularly valuable because the District has not done such modeling work on its own.

Our applications seek only the right to drill exploratory wells to allow our science team to conduct pump tests and assess the characteristics of the Carrizo Wilcox Aquifer. The data obtained will be shared with the Neches and Trinity Valleys Groundwater Conservation District and be available to the public.

According to the Texas State Demographer, our population is projected to grow by more than 73% over the next 50 years. Every drop of currently permitted surface water in Texas is already spoken for. Without new supply sources, Texas faces a water availability crisis - particularly in Central and South Texas, where demand already outpaces the available supply sources.

Texas leaders have long known that to sustain the people and industries of this state, we must move water supplies from areas where they are plentiful, like East Texas, to the regions where it is desperately needed to meet existing and projected demands around the State. This is not just a hydrologic fact - it is a geographic and economic necessity.

Texas is blessed with immense quantities of groundwater capable of meeting our needs as a State. Unfortunately, the water is not located in the areas of the State where that water is most needed. Our lack of infrastructure to move water to the areas of need presents an additional challenge to the State's water supply source challenges.

In May 2024, Conservation Equity Management filed applications with the Neches and Trinity Valleys Groundwater Conservation District to drill exploratory groundwater wells on two properties - Redtown Ranch and Pine Bliss Ranch - which overlie the prolific Carrizo-Wilcox Aquifer system. These applications were submitted in full compliance with Texas law. Between May 2024, and April 17, 2025, when the District declared the Applications to be "Administratively Complete," we worked transparently and in good faith with the District as reflected in the attached Timeline.

Let me be unequivocal: our applications are solely for exploratory drilling. We seek only to validate the scientific findings of three renowned hydrogeologic engineering firms that have each independently modeled the subsurface aquifers on our properties. These exploratory wells are designed to prove or disprove the models using real-world testing. We have not applied for any production or transport permits at this time and will not until we are satisfied the science demonstrates that any project we envision can be completed without harming the aquifer or our neighbors in the District.

Assuming the aquifer testing we will conduct on our exploratory wells confirms the science our expert hydrogeologists have developed to date, and production were pursued, we estimate that the potential maximum total annual groundwater production withdrawals will be equivalent to only:

- 0.020% of the 170 million acre feet of recoverable groundwater in place in the Carrizo-Wilcox Aquifer underlying Anderson County (2/100 of 1 percent), and

- 0.024% of the 66 million acre feet of recoverable groundwater in place in the Carrizo-Wilcox Aquifer underlying Henderson County (2.4/100 of 1 percent), according to the official TERS dataset of the Texas Water Development Board.

These are responsible, measured figures—far below the sustainable yield thresholds of the Carrizo-Wilcox identified by the State's own technical resources. They reflect a careful, conservation-minded approach to meeting the urgent needs of Texas without disrupting the rights of neighboring landowners or the integrity of regional aquifers. The maximum volume we envision seeking permits for, if the scientific results of aquifer testing confirm our hydrogeologic modeling to date, would be, on average, the acre-foot

per acre volume equivalent to those of an agriculture irrigation permit for typical crops in the region.

Under Texas law, ownership of groundwater belongs to the landowner whose property sits over an aquifer. Groundwater in Texas is a private property right, and the "Rule of Capture" remains a bedrock principle of Texas property law. This principle continues to guide groundwater policy, even as we face the challenges presented by the prolonged drought and the unprecedented population growth.

Texas has always relied on the entrepreneurial spirit of its citizens to solve our state's most difficult challenges. Conservation Equity Management is investing private capital, relying upon the public science and supplemental science it has contributed to the District's files, and honoring Texas law to address what we believe is the single greatest environmental and economic threat of the next 50 years: water supply source scarcity in the places the water is most needed.

We appreciate your consideration and stand ready to answer any questions or provide additional scientific documentation at your request.

Respectfully submitted,

Kyle Bass
Chief Executive Officer
Conservation Equity Management