

Council approves re-assignment of contract

BY NATHANIEL MILLER nmiller@oaoa.com | Posted: Tuesday, March 10, 2015 8:15 pm

The Odessa City Council approved the reassigning of a contract between Gulf Coast Waste Disposal Authority and Kerr Energy, which now allows a different company to take over for the energy company.

In a 4-0 vote, council members approved allowing Kerr Energy to be released from its contract and agreed to them being replaced by COG Operating LLC, a subsidiary of Concho Resources. Odessa City Attorney Larry Long said the Council had to approve the contract because of their agreement with GCWDA.

Odessa Mayor David Turner was not at Tuesday's meeting and Councilwoman Barbara Graff served as mayor pro tem.

"The reason the city is involved with it is under the agreement we had ... we have to agree to any of the contracts that are done by Gulf Coast," Long said.

Under the three-year agreement, GCWDA will send 2 million gallons of treated wastewater to Concho for oil and gas development at the cost \$2.75 per 1,000 gallons the first year; \$4.52 per 1,000 gallons the second year; and \$5 per 1,000 per gallons for the third year. If the company agrees to additional years, the cost would be \$5 per 1,000 per gallons.

The City of Odessa would not receive any of that money as it would go to GCWDA.

The original deal with Kerr Energy was approved in October 2013 and GCWDA had received an initial payment of more than \$300,000 to start sending water to the company on Sept. 9. But GCWDA officials at the time said they were unsure about the fate of the project because of poor communication.



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In March 2014, RDX Technologies, which owns Kerr Energy, reported entering a long-term contract with COG Operating for more than 45,000 barrels per day of treated water. That contract reportedly spans 13 years and is divided into terms.

Assistant City Manager Michael Marrero said he was not sure why Kerr Energy had not taken any of the water, but said it was more than likely having to do with not needing it since oil prices have dropped off by more than half since June.

“I had the same understanding they hadn’t taken any water and it may be because Kerr wasn’t ready to take it at one point, and now with the downturn, it may not be financially feasible,” he said.

The RDX Technologies is not the only company that has made an announcement locally to delay purchasing treated wastewater for oilfield use.

Pioneer Natural Resources in August reached a deal with the City of Odessa to buy treated waste water at a rate of about \$100 million in the next 10 years. In February, they asked the city for a deferment for about a year or two.

City leaders are planning to use that money to develop new drinking water sources amid depleting supplies and have already developed plans that account for revenue from the oil company.

Officials previously said they were still in negotiations regarding the contract with Pioneer.

THE CONCIL ALSO:

>> Approved the minutes from the Feb. 24 City Council meeting.

>> Approved the second and final request from Wyly and Fredna Brown Famiyl Partnership for the rezoning of 5.1 acres of land.

>> Approved the monthly financial summary report for January 2015.