

MINUTES OF THE REGULAR MEETING OF THE BOARD OF WATER AND SEWER COMMISSIONERS AUGUST 20, 2020, AT 8:30 A.M., IN THE PLANNING ROOM AT THE MUNICIPAL BUILDING, 101 N. HALAGUENO STREET, CARLSBAD, NM

VOTING MEMBERS PRESENT:	Craig Stephens	Chairman
	Fred Beard	Member
	John Bowen	Member
	Dennis Miehl	Member
	Gary Perkowski	Member

VOTING MEMBERS ABSENT:

EX-OFFICIO MEMBERS PRESENT:	John Lowe	Ex-Officio/City Administrator/Secretary
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EX-OFFICIO MEMBERS ABSENT:	Eddie Rodriguez	Ex-Officio/Mayor Pro-Tem/Member
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OTHERS PRESENT:	Wendy Austin	Deputy City Administrator
	KC Cass	Deputy City Administrator
	Eileen Riordan	City Attorney
	Ron Myers	Director of Utilities
	Wes Nichols	Utilities Deputy Director
	Joe Harvey	WWTP Superintendent
	Melissa Salcido	Director of Finance
	Richard Aguilar	Environmental Services Superintendent
	Olga Ramirez	Assistant to City Administrator
	Dave Romero	Balleau Groundwater (via telephone)
	Michael Hernandez	Citizen

1. Roll Call and Determination of a quorum

C. Stephens called roll and it was determined that there was a quorum of voting members

2. Approval of Agenda

The motion was made by G. Perkowski and seconded by F. Beard to Approve the Agenda. The vote was as follows, Yes: C. Stephens, D. Miehl, J. Bowen, F. Beard, G. Perkowski No: None Absent: None. The Motion passed.

3. Approval of Minutes of the Board of Water and Sewer Commissioners Regular Meeting held February 20, 2020

The motion was made by G. Perkowski and seconded by F. Beard to Approve the Minutes of the February 20, 2020 regular board meeting. The vote was as follows, Yes: C. Stephens, D. Miehl, F. Beard, G. Perkowski, J. Bowen No: None Absent: None. The Motion passed.

4. Consider recommendation to Council for approval of amendment to Effluent Agreement with Select Energy Services Inc.

J. Lowe gave an overview on the agreement with Select Energy. He said with the recent decline in the Oil & Gas production in the Permian Basin, there just isn't a current market for water. J. Lowe stated since April of 2020, Select Energy has taken .3-acre feet of water that shows their moving next to nothing. Select Energy has approached the city about making modifications to the agreement, due to current conditions in the market for water. Select Energy approached the city with a proposal. They would like to drop the price to 11¢ per barrel and eliminate the monthly billing requirement of \$70,800. J. Lowe said the proposed changes would be in effect until the end of the contract, which expires on October 26, 2021. He stated Select would be willing to renegotiate those terms if something changed in the market using the WTI Escalators.

C. Stephens asked if Select Energy had an opt out clause, where if they wanted they could just opt out of the agreement. J. Lowe stated yes they do. D. Miehl asked if the city could opt out also. J. Lowe said yes. G. Perkowski asked what the opt out clause was, J. Lowe responded 60 days. J. Lowe mentioned the current contract has a onetime renewal for a five-year term. E. Riordan stated the renewal contract has to be agreeable with both parties. She said it's not an automatic renewal, you could renegotiate at that time. M. Hernandez mentioned to the board that if they do not accept the agreement, the city would be pumping the water down the river, sending it to Texas, and collect nothing.

G. Perkowski asks why they are having so many problems with this, if the city is to sell them water from Tatum. J. Lowe responded Tatum is still being developed, before selling the water the city needs to get the data. He said that is why Mr. Romero is here to give an overview of Tatum and maybe the city could put those benefits to use. The data will show what the city has before the City invests city funds tying into the Double Eagle System and before the city proceeds with the development.

C. Stephens stated Select would provide the transportation of the water to where they could get it, which would help the city tie in to the Tatum Wells. J. Lowe mentioned location also plays a role in the infrastructure of Tatum. C. Stephens asked if it is a possibility to require them to do a minimum of effluent water in order to get access to our Tatum water. J. Lowe said the city definitely has that option. E. Riordan mentioned that the city does use effluent water at the Golf course. G. Perkowski stated to the board that he has no issues selling effluent water but does have issues selling Tatum water.

C. Stephens asked if they were changing the existing agreement that expires in 2021. J. Lowe clarified just amending the current agreement that is good until 2021. J. Bowen asked if the city has had any problems working with Select. C. Stephens and J. Lowe, stated they haven't had an issue.

The motion was made by F. Beard and seconded by D. Miehl to recommend to council to approve to sell effluent water to Select Energy for 11¢ a barrel, and in 2021 when the contract expires, it can be renegotiated. The city also has the option to renegotiate if production and price increase. The vote was as follows, Yes: C. Stephens, D. Miehl, F. Beard G. Perkowski, J. Bowen No: None Absent: None The Motion passed.

5. Presentation by Balleau Groundwater on Tatum Wells

D. Romero gave a presentation over the Tatum Wells. He stated he would discuss the 3 Tatum Wells and how much water they could possibly produce and stated the city has a total of 30 permits in the area.

D. Romero said there are two Aquifers. The Capitan Aquifer and the High Plains Aquifer. The Capitan Reef is the principal source of water that goes into the Public Supply System. D. Romero said the three Tatum wells were drilled back in 2012, and they were tested in the spring of 2013. He said these wells are good producers. Together they give about 860 gpm. D. Miehl asked if those wells were still yielding that gpm, 2012 is over seven years ago? D. Romero replied there hasn't been a lot of development in that area, so the saturated thickness hasn't changed much. He would predict that the wells would produce at the same rate. He said keep in mind the wells haven't been used since 2013 when they were tested. He mentioned the wells have been sitting out there and sometimes after sitting for long periods, they can get a little buildup that could cause clogging. If the city plans to bring these wells on-line, they will need to prepare to do some development on them to bring them up and running. He said the Tatum wells are located in some of the thickest portions of the aquifer.

D. Romero gave an overview of pumping water and production over several years if the 30 permits were put into service. He stated if all 30 wells were drilled, the supply would go from about 10,000 acre-feet to about 9,000 acre-feet in 100 years. He presented an estimate of the amount of water that possibly could be used over a period of 10 years to 100 years.

D. Romero said the general observation is that the wells yield is projected to decline in the future. That is something that happens in the High Plains Aquifer. He mentioned that since the wells have been idle since 2013 they might need some rehabilitation as he stated before. Those three wells yield approximately 10% of the total water they could produce from all the well sites.

D. Romero recommended that if the Tatum wells were brought online, the city would need to monitor water levels. He would like to collect some data on water level changes at those wells, to help refine their projected estimates. He stated the New Mexico Office of the State Engineer updated its water permit database. There has not been a lot of development in that area but there are water permits that exist out there. He said there are neighboring well sites that just haven't been developed. Those neighboring well sites can produce water, and if they come online before the Tatum wells, they will get the water that is out there.

He mentioned to the board, that Lea County filed for an appropriation to divert water from the area. However, they have withdrawn their application.

Another recommendation he had was that the city would need to get NMED approval if the wells are going to be connected to the municipal system, if the three Tatum wells are for public supply.

F. Beard asked if the projections are based on the 9000 maximum feet. D. Romero said they were based on trying to use the water rights for the next 100 years, so yes. F. Beard asked so

anything less of that will extend the longevity of the projections. D. Romero responded yes, that is right. C. Stephens asked how long the wells would have to be pumped to get an accurate interpretation of them. D. Romero said it would be good to see how water levels changes from 6 months to 1 year. He said Tatum Well #1 has a monitor the city could purchase a transducer that goes all the way to the bottom of the well. It could be set it up to collect data two to three times a day and the city could collect quarterly water levels.

J. Bowen asked how many permits were in that area and who owned them, and if there were any plans for the permits to become active. D. Romero said he knows there are some permits in the area; a couple are for some energy companies, there are a couple of irrigation permits in the area that are not active. However, that is based on old information, he said they don't know when the permits would come on-line, but they do know there are permits out there that could come online.

M. Hernandez mentioned to the board that about a mile down from the Tatum Wells there is a big Gas company and they said they have had no problem pumping.

6. Consider recommendation to Council to proceed with negotiating a contract with Select Energy Services Inc. for the purchase of water from the Tatum Wells

D. Miehl ask how long the contract would be. C. Stephens stated that is one reason they need to get data from the wells. F. Beard stated that the benefit to the city would be that the city gets the infrastructure to get water to Double Eagle. G. Perkowski asked if the city would get it or have to buy it. J. Lowe stated they would have a preliminary discussion to see what kind of agreement the two entities could work out to get that infrastructure in and to see what Select could to do recoup some of their capital costs. F. Beard asked if it would be up to city standard. J. Lowe stated it would have to be.

G. Perkowski asked if the city knew what Select planned on doing with the water. J. Lowe stated the city wasn't sure, we are assuming selling to their customers and the oil and gas industry in that area. F. Beard asked what the estimated expiration date on the contract would be. J. Lowe said they do not know, that would be part of the negotiation. C. Stephens asked if the city had an estimate cost for the infrastructure for Double Eagle. K.C. Cass said they are estimating about 1.5 to 2 million. C. Stephens stated we might want to look at getting the wells permitted before someone else does in that area. C. Stephens said they needed to look at the cost of tying it into Double Eagle, which would make those wells beneficial to the City. C. Stephens said Select would have to have a return on the money if they are going to put it into their capital expense. They will need to make some money and have a contract long enough to be able to afford that capital expenditure. G. Perkowski said the city would need to have an opt out clause.

G. Perkowski exited the meeting 9:35 a.m.

M. Hernandez said real pumping data is very valuable; this will help the city know if the wells are going to maintain the 860 gpm. F. Beard said the main objective is the expiration date of the contract and that the city gets the infrastructure and the water. C. Stephens said Select would be putting it above ground line. J. Lowe said that would not work for the city, but Select will be looking at all their options.

F. Beard asked if this was just for approval to go into negotiations with Select, and the contract will come back to the board for approval before it's approved. J. Lowe stated correct.

The motion was made by F. Beard to recommend to Council to go into contract negotiations with Select Energy for the purchase of water from the Tatum Wells and to bring the contract back to the Board of Water and Sewer Commissioners for approval before final approval and seconded by D. Miehl. The vote was as follows, Yes: C. Stephens, D. Miehl, F. Beard, J. Bowen No: None Absent: G. Perkowski. The Motion passed.

7. Utilities Department January Monthly Reports and Project Updates presented by Ron Myers

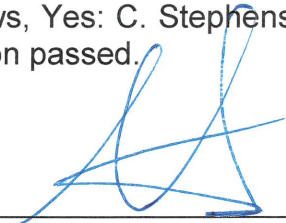
R. Myers reported they have pumped more water recently than in years past. Everything is running normal, nothing out of the ordinary to report.

8. Financial Reports presented by Melissa Salcido

M. Salcido reported on the financials. She reported revenues are favorable to budget. Labor and Operations are favorable to budget. Capital projects are favorable to budget.

9. Adjourn

The motion was made by F. Beard and seconded by D. Miehl to adjourn. The vote was as follows, Yes: C. Stephens, D. Miehl, F. Beard, J. Bowen No: None Absent: G. Perkowski. The Motion passed.



Chairman