

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**APPLICATION OF LOGOS RESOURCES II, LLC FOR EXTENSION OF
AUTHORIZATION TO OPERATE THE ROSA UNIT RECYCLING AND
CONTAINMENT FACILITY AND FOR EXCEPTION FROM CLOSURE
REQUIREMENTS OF NMAC 19.15.34.14, RIO ARRIBA COUNTY, NEW
MEXICO.**

**CASE NO. 16069
ORDER NO. R-20253**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on April 5, 2018, at Santa Fe, New Mexico, before Examiners William V. Jones, Leonard Lowe, and Phillip R. Goetze.

NOW, on this 3rd day of December 2018, the Division Director, having considered the testimony, the record, and the recommendations of Examiner Goetze,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and the subject matter.

(2) Logos Resources II, LLC (the "Applicant" or "Logos") seeks an order granting an extension to the automatic cessation in Division Rule 19.15.34.13 NMAC and an exception to closure and site reclamation requirements of Division Rule 19.15.34.14(A) NMAC for its produced-water recycling Facility (the "Facility") identified as the Section 30 Containment and Recycling Facility located in Section 30, Township 31 North, Range 5 West, NMPM, Rio Arriba County, New Mexico.

(3) Applicant further seeks for inclusion in the order the authority for the Division's District III Office to administratively grant additional time extensions and possible future exceptions for closure of the Facility.

(4) In August 2015, WPX Energy Production LLC (“WPX”) submitted a modified Division form C-147 for approval of the containment Facility as required by Division Rule 19.15.34 NMAC. The Division’s District III Office approved the registration of the Facility as administrative permit number 3RF-3 dated August 19, 2015, with WPX as the designated operator.

(5) WPX completed the construction of the Facility in late 2015 and initiated inflow of fluid into the recycling containment for use in support of drilling operations for the Rosa Unit.

(6) During 2016, WPX detected compromises in the primary liner for the recycling containment that required the suspension of operations to inspect and repair the primary liner.

(7) Because of the time required for repairs and the decreased volume of fluid being held in the recycling containment, the Facility qualified as “to have ceased operations” under Division Rule 19.15.34.13(C) NMAC.

(8) Under Rule 19.15.34.13(C) NMAC, the Division’s District III Office approved a single six-month extension which was followed with a consecutive six-month extension under Division Order No. R-14314 (Case No. 15644) approved on March 27, 2017. The last six-month extension was approved by the Division Director in a form C-103 dated August 25, 2017, and had an expiration date of March 31, 2018.

(9) Pursuant to Rule 19.15.34.15(G) NMAC, transfer of registration for administrative permit number 3RF-3 from WPX to Logos occurred on December 20, 2017. Logos filed a form C-147 with the Division’s District III Office on December 27, 2017, documenting the change of operator.

(10) While processing this application for extension and exception, Logos filed a *Motion for Interim Order* to suspend the applicability of the automatic cessation under Rule 19.15.34.13(C) NMAC and the closure and site reclamation requirements under Rule 19.15.34.14 NMAC. The Division concurred with the *Motion* and approved, in Order No. R-14614 dated March 28, 2018, the temporary suspension of these conditions until a final order was issued in Case No. 16069.

(11) Applicant appeared at the hearing through counsel and presented evidence to the effect that:

- (a) Applicant stated that legal ownership of the Facility occurred on January 10, 2018, and was continuing with efforts to initiate a drilling program in the Rosa Unit;
- (b) Applicant acknowledged that the containment volume for the Facility is much greater than the model used to develop Rule

19.15.34 NMAC which created issues with complying with Rule 19.15.34.13(C) NMAC;

- (c) Applicant has continued monitoring of the leak detection system located between the primary and secondary liners of the containment and has considered alternative monitoring systems for support of the leak detection system;
- (d) Applicant described a current evaluation effort that utilized injection of fluid into the leak-detection interval which identified 11 locations for repairs in the primary liner;
- (e) Applicant noted limited period of opportunity for drilling operations due to federal land use restrictions that complicates drilling schedules and the continuous use of the Facility;
- (f) Applicant stated that the Facility was needed for support of drilling operations of wells within the Rosa Unit which was anticipated to commence in the spring of 2019 following the end of closures on federal land; and
- (g) Applicant provided evidence of proper notice following the procedure detailed in Rule 19.15.34.16 NMAC.

(12) No other party appeared at the hearing, or otherwise opposed the granting of this application.

The Division concludes as follows:

(13) As the new operator, the Applicant has satisfied the permit obligations and the Conditions of Approval of the form C-103 dated August 25, 2017, without evidence of a release or any quantifiable impacts to the environment.

(14) Approval of the proposed extension to the automatic cessation under Rule 19.15.34.13(C) NMAC will enable the Applicant to continue with the proposed horizontal well drilling program that will efficiently produce the reserves for the associated Rosa Unit, thereby preventing waste.

(15) The application for an extension to allow continued operation of the Facility should be granted with conditions.

(16) The application for suspension of Rule 19.15.34.14(A) NMAC is unnecessary since approval of an extension to the automatic cessation under Rule 19.15.34.13(C) NMAC provides for the continued operation of the Facility under the current administrative permit.

IT IS THEREFORE ORDERED THAT:

(1) The application of Logos Resources II, LLC (the "Operator" or "Logos") for an extension to utilize its produced-water recycling facility, identified as the Section 30 Containment and Recycling Facility (the "Facility"), located in Section 30, Township 31 North, Range 5 West, NMPM, Rio Arriba County, New Mexico, is hereby **granted**. This extension shall be successive to the cancellation of Division Order No. R-14614, starting on the effective date of this order and terminating on December 31, 2019.

(2) Authority of Division Order No. R-14614 for the temporary suspension of automatic cessation and the closure and site reclamation requirements shall terminate on the effective date of this order.

(3) The portion of the application seeking suspension of Rule 19.15.34.14(A) NMAC for such periods or periods commensurate with extensions for determination of cessation is dismissed.

(4) The Operator shall review the procedure for monitoring the leak detection system established by the previous operator of the Facility. The Division directs the Operator to incorporate two specific conditions in any submitted procedure:

- (a) The procedure shall provide quantifiable parameters for identifying compromises of the primary liner.
- (b) The procedure shall include quarterly sampling of fluids found in the leak detection system for general chemistry including analysis for total dissolved solids and major cation/major anion constituents.

Within 30 days following the approval date of this order, the Operator shall submit the procedure to the Division's District III Office for approval and for inclusion in administrative permit number 3RF-3, as part of the operational requirements under Rule 19.15.34.13 NMAC. The use of the containment for drilling operations shall only commence following the approval of the procedure with the requirement described in Ordering Paragraph (4)(a). The results for quarterly sampling shall be submitted with the report described in Ordering Paragraph (4)(b).

(5) The Operator shall continue to complete the Conditions of Approval, as modified, for the operation of this Facility authorized by the Division Director in a form C-103 Sundry Notice dated August 25, 2017. These Conditions shall only be modified with written notice and approval of the Division's District III Supervisor.

- (a) The Operator shall take all necessary actions to keep sufficient water accumulation within the containment to a minimum and prevent damage from freezing.

- (b) The Operator shall conduct weekly inspections that includes a photographic record of the Facility.
- (c) In the event of leaks from or damage to the Facility, the Operator shall:
 - i. notify the Division's District III Office within 48 hours of discovery and, if required by the location of the leaks or damages, shall comply with removal of fluids as described in 19.15.34.13(B)(5);
 - ii. submit a Corrective Action Plan (CAP) to repair the leaks or damages to the Facility no later than seven days following the notification; and
 - iii. complete the repairs following the Division-approved CAP after noticing Division's District III Office 24 hours prior to commencement of corrective actions at the Facility.
- (d) The Operator shall submit monthly reports to Division's District III Office of inspection results with photographs and progress on CAPs, if any, by the 15th of the month following the inspection period.
- (e) The Operator shall verify the containment liner integrity before returning the Facility to service.

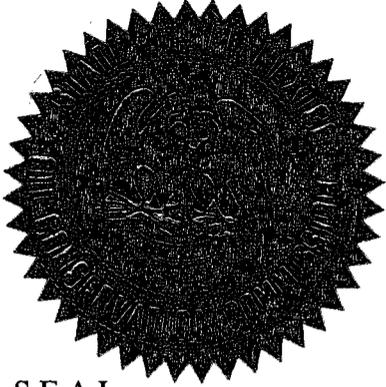
(6) Further, the Division Director may approve, pursuant to Rule 19.15.34.13(C) NMAC, two (2) six-month extensions without hearing. The Operator may request such an extension by submitting Division form C-103 to both the Division's District III Office and the Environmental Bureau in Santa Fe for approval. Any requests for additional extensions shall only be considered by the Division by making application for a hearing.

(7) All other provisions of administrative permit number 3RF-3 remain in full force and effect.

(8) This order does not relieve the Operator of responsibility should its operations cause any actual damage or threat of damage to protectable fresh water, human health or the environment; nor does it relieve the Operator of responsibility for complying with applicable Division rules or other state, federal or local laws or regulations.

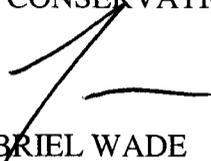
(9) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


GABRIEL WADE
Deputy Director