

EPWM - 11

**TEMPORARY
APPROVALS,
PERMITS,
RENEWALS, &
MODS**

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John Bemis
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



March 7, 2013

Kale Jackson
Devon Energy Production Company, L.P.
333 W. Sheridan Avenue
Oklahoma City, Oklahoma, 73102

**RE: Request For Temporary Approval To Treat, Store And Use Produced Water
EPWM-011
Devon Energy Production Company, L.P.
Location: Unit A, Section 27, Township 19 South, Range 29 East, NMPM
Eddy County, New Mexico**

Dear Mr. Jackson:

The Oil Conservation Division (OCD) has reviewed Devon Energy Production Company, L.P.'s (Devon) request, dated March 1, 2013, to treat produced water utilizing Baker Hughes Incorporated's (Baker Hughes) H2pro™ water treatment technology, and to temporarily store the treated produced water onsite in above-grade tanks and a Poseidon Concepts modular impoundment unit for reuse for an on-site scheduled hydraulic fracturing operation. Based upon the information provided in the March 1, 2013 request, OCD understands that this project is expected to take approximately 31 days.

This request is hereby approved with the following understandings and conditions:

1. Devon shall comply with all applicable requirements of the Produced Water Rule (19.15.34 NMAC), the Oil and Gas Act (Chapter 70, Article 2 NMSA 1978), and all conditions specified in this temporary approval and shall operate and close the project in accordance with the March 1, 2013 request;
2. Devon shall store, treat, and use produced water only as proposed in its March 1, 2013 request. Devon shall submit a modification request and obtain OCD's approval prior to the installation of additional tanks or other structures within the boundaries of the facility, initiating any changes in the storage, treatment, or use of the produced water (treated or untreated), or the disposition of any unused produced water;
3. Devon shall locate the mobile Baker Hughes H2pro™ water treatment system onto Devon's Turquoise 27-005H (API 30-015-40583) well pad within Unit A of Section 27, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico;

4. Devon shall only store, treat, and use produced water from the following 12 Devon wells within the Parkway Unit located in Sections 20-22, 27-29, and 32, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico: Emerald 20-1, Emerald 20-2, Emerald 20-3, Emerald 20-4, Agate 21-2, Agate 21-4, Onyx 29-1, Onyx 29-3, Diamond 22-3, Diamond 22-4, Beryl Fed 33 1H, and Jasper 4. Devon shall submit a modification request and obtain OCD's approval prior to switching to a new source of water for treatment and/or reuse;
5. Devon shall ensure that the Baker Hughes H2prO™ water treatment system is properly operated and monitored to prevent unauthorized releases;
6. Devon will transfer the treated produced water to an on-site modular impoundment, located on Devon's Turquoise 27-005H well pad for reuse for a scheduled hydraulic fracturing operation as identified in the March 1, 2013 request.
7. This approval is issued pursuant to 19.15.34 NMAC. Devon shall obtain a separate permit, pursuant to 19.15.17 NMAC, from OCD for the Poseidon Concepts modular impoundment unit prior to its construction, use, and the transfer of treated produced water;
8. Devon shall report all unauthorized discharges, spills, leaks, and releases of produced water or other oil field waste pursuant to 19.15.29 NMAC;
9. Devon shall not manage any oil field waste at the produced water treatment site on the ground in pits, ponds, below-grade tanks or land application units without an OCD approved permit;
10. Devon shall not discharge any treated or untreated produced water on the ground, to ground water, or into any surface water body;
11. Devon shall ensure that liquid oil field waste (e.g. sludge) and produced water (treated or untreated) is transported using an OCD permitted (C-133 Authorization to Move Produced Water) hauler;
12. Devon shall dispose of its solid and semi-solid oil field waste, including, but not limited to, sludge, flocculants, treatment filters, membranes, *etc.*, at R360 Permian Basin, LLC's Surface Waste Management Facility (NM1-006/R-9166) as proposed in its March 1, 2013 request. Devon shall retain records (OCD Form C-138) documenting all oil field waste removed from the site. The records shall indicate the facility name and permit number of the OCD approved facility in which the oil field waste is disposed;
13. Devon shall dispose of any unused, treated or untreated produced water at Basic Energy Services' SWD-984 (API 30-015-22955) or SWD-391 (API 30-015-21515);
14. Devon shall restore the impacted surface area to the condition that existed prior to initiating the approved operations and complete the closure activities, including the submittal of a closure report, as proposed in its March 1, 2013 request; and

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15. Devon shall submit a summary report of the closure activities and the volumes of produced water diverted (treated and used) in barrels to the OCD's Environmental Bureau within 30 days after the project is completed.

OCD understands that the above approved activities will begin approximately March 10, 2013. This temporary approval shall expire 90 days from the date of this approval. Devon may submit a written request, demonstrating good cause, to the OCD Santa Fe Environmental Bureau for consideration of approval of an extension. Temporary approval may be revoked or suspended for violation of any applicable provisions and/or conditions. OCD may administratively modify this temporary approval at any time, if it determines that an emergency exist requiring emergency response operations to abate immediate threats to fresh water, public health, and the environment.

Please be advised that approval of this request does not relieve Devon of liability should operations result in pollution of surface water, ground water or the environment; nor does approval relieve Devon of its responsibility to comply with any other applicable governmental authority's rules and regulations.

If there are any questions regarding this matter, please do not hesitate to contact Mr. Brad A. Jones of my staff at (505) 476-3487 or brad.a.jones@state.nm.us.

Sincerely,



Jami Bailey
Director

JB/baj

cc: OCD District II Office, Artesia