

District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 S. First St., Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources
Department
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-147
Revised April 3, 2017

Recycling Facility and/or Recycling Containment

2RF-128

Type of Facility: Recycling Facility Recycling Containment*
Type of action: Permit Registration
 Modification Extension
 Closure Other (explain)

REQUEST FOR THE
CESSATION OF OPERATION
EXTENSION FROM JULY 13, 2022
TO
JAN 13, 2023

* At the time C-147 is submitted to the division for a Recycling Containment, a copy shall be provided to the surface owner.
Be advised that approval of this request does not relieve the operator of liability should operations result in pollution of surface water, ground water or the environment.
Nor does approval relieve the operator of its responsibility to comply with any other applicable governmental authority's rules, regulations or ordinances.

1.
Operator: 3 BEAR FIELD SERVICES LLC (For multiple operators attach page with information) OGRID #: 376203
Address: 1512 W. MARION ST. SUITE 540 DENVER CO 80202
Facility or well name (include API# if associated with a well): COTTONWOOD RECYCLING FACILITY
OCD Permit Number: 2RF-128 (For new facilities the permit number will be assigned by the district office)
U/L or Qtr/Qtr SW/4 Section 20 Township 26S Range 26E County: EDDY
Surface Owner: Federal State Private Tribal Trust or Indian Allotment FAB1810837464

2.
 Recycling Facility: * SEE REQUEST FOR THE CESSATION OF OPERATIONS EXTENSION LETTER
Location of recycling facility (if applicable): Latitude _____ Longitude _____ NAD83
Proposed Use: Drilling* Completion* Production* Plugging *
*The re-use of produced water may NOT be used until fresh water zones are cased and cemented
 Other, requires permit for other uses. Describe use, process, testing, volume of produced water and ensure there will be no adverse impact on groundwater or surface water.
 Fluid Storage
 Above ground tanks Recycling containment Activity permitted under 19.15.17 NMAC explain type _____
 Activity permitted under 19.15.36 NMAC explain type: _____ Other explain _____
 For multiple or additional recycling containments, attach design and location information of each containment
 Closure Report (required within 60 days of closure completion): Recycling Facility Closure Completion Date: _____

3.
 Recycling Containment:
 Annual Extension after initial 5 years (attach summary of monthly leak detection inspections for previous year)
Center of Recycling Containment (if applicable): Latitude _____ Longitude _____ NAD83
 For multiple or additional recycling containments, attach design and location information of each containment
 Lined Liner type: Thickness _____ mil LLDPE HDPE PVC Other _____
 String-Reinforced
Liner Seams: Welded Factory Other _____ Volume: _____ bbl Dimensions: L _____ x W _____ x D _____
 Recycling Containment Closure Completion Date: _____

4.

Bonding:

- Covered under bonding pursuant to 19.15.8 NMAC per 19.15.34.15(A)(2) NMAC (These containments are limited to only the wells owned or operated by the owners of the containment.)
- Bonding in accordance with 19.15.34.15(A)(1). Amount of bond \$ _____ (work on these facilities cannot commence until bonding amounts are approved)
- Attach closure cost estimate and documentation on how the closure cost was calculated.

5.

Fencing:

- Four foot height, four strands of barbed wire evenly spaced between one and four feet
- Alternate. Please specify _____

6.

Signs:

- 12"x 24", 2" lettering, providing Operator's name, site location, and emergency telephone numbers
- Signed in compliance with 19.15.16.8 NMAC

7.

Variances:

Justifications and/or demonstrations that the proposed variance will afford reasonable protection against contamination of fresh water, human health, and the environment.

Check the below box only if a variance is requested:

- Variance(s): Requests must be submitted to the appropriate division district for consideration of approval. If a Variance is requested, include the variance information on a separate page and attach it to the C-147 as part of the application.
- If a Variance is requested, it must be approved prior to implementation.**

8.

Siting Criteria for Recycling Containment

Instructions: The applicant must provide attachments that demonstrate compliance for each siting criteria below as part of the application. Potential examples of the siting attachment source material are provided below under each criteria.

General siting

Ground water is less than 50 feet below the bottom of the Recycling Containment.

NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells

- Yes No
 NA

Within incorporated municipal boundaries or within a defined municipal fresh water well field covered under a municipal ordinance adopted pursuant to NMSA 1978, Section 3-27-3, as amended.

- Yes No
 NA

- Written confirmation or verification from the municipality; written approval obtained from the municipality

Within the area overlying a subsurface mine.

- Written confirmation or verification or map from the NM EMNRD-Mining and Minerals Division

- Yes No

Within an unstable area.

- Engineering measures incorporated into the design; NM Bureau of Geology & Mineral Resources; USGS; NM Geological Society; topographic map

- Yes No

Within a 100-year floodplain. FEMA map

- Yes No

Within 300 feet of a continuously flowing watercourse, or 200 feet of any other significant watercourse, or lakebed, sinkhole, or playa lake (measured from the ordinary high-water mark).

- Yes No

- Topographic map; visual inspection (certification) of the proposed site

Within 1000 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application.

- Visual inspection (certification) of the proposed site; aerial photo; satellite image

- Yes No

Within 500 horizontal feet of a spring or a fresh water well used for domestic or stock watering purposes, in existence at the time of initial application.

- NM Office of the State Engineer - iWATERS database search; visual inspection (certification) of the proposed site

- Yes No

Within 500 feet of a wetland.

- US Fish and Wildlife Wetland Identification map; topographic map; visual inspection (certification) of the proposed site

- Yes No

9. **Recycling Facility and/or Containment Checklist:**
 Instructions: Each of the following items must be attached to the application. Indicate, by a check mark in the box, that the documents are attached.

- Design Plan - based upon the appropriate requirements.
- Operating and Maintenance Plan - based upon the appropriate requirements.
- Closure Plan - based upon the appropriate requirements.
- Site Specific Groundwater Data -
- Siting Criteria Compliance Demonstrations -
- Certify that notice of the C-147 (only) has been sent to the surface owner(s) 3 Bear is the surface owner

10. **Operator Application Certification:**
 I hereby certify that the information and attachments submitted with this application are true, accurate and complete to the best of my knowledge and belief.

Name (Print): HARRY LEWIS Title: SR. DIRECTOR, EHS
 Signature: [Handwritten Signature] Date: July 12, 2022
 e-mail address: HARRY.LEWIS@DEFEK-LOGISTICS.COM Telephone: 469-704-7379

11. **OCD Representative Signature:** Victoria Venegas Approval Date: 08/03/2022
 Title: Environmental Specialist OCD Permit Number: 2RF-128

OCD Conditions
 Additional OCD Conditions on Attachment



Delek Logistics Partners, LP
7102 Commerce Way
Brentwood, TN 37027
615-771-6701

July 12, 2022

Victoria Venegas
New Mexico Energy, Minerals and Natural Resources Department
Oil Conservation Division
1220 S. St. Francis Dr.
Santa Fe, NM 87505

Re: Extension Request of Permit 2RF-128 for July 13, 2022 through January 13, 2023

3Bear Field Services, LLC ("3 Bear") is requesting an extension of the Cottonwood Water Recycling Facility Permit (2RF-128). We are submitting this request to extend the subject Permit beyond July 13, 2022 pursuant to your conditions for extension of operations.

3 Bear continues to maintain this facility in compliance with NMAC 19.34.15. However, a downturn in the oil and market conditions in Eddy County as a result of the COVID-19 Pandemic reduced the demand for recycled produced water and resulted in a limited drilling of wells in Eddy County. As market conditions improve, this facility is critical for water recycling operations in this area in order to meet the forthcoming demand.

3 Bear specifically requests the following as allowed under NMAC 19.15.31.13:

- An extension of the time required to recycle water from the containment for an additional year. Based on future projections, we anticipate new well development in the 3rd and 4th quarters of this year that will utilize recycled water from the Cottonwood Recycling Facility; and
- 3Bear will provide timely notifications to NMOCD if there are market demand changes for recycled water so that any future requests are provided in a more timely manner.

In support of this request, 3 Bear has shown good cause and intention to operate and continue operating the Cottonwood Water Recycling Facility by;

- Investing over \$2,000,000 on equipment, engineering services and geologic analysis for the facility,
- construction and operation of the facility since 2019, and
- continued marketing of the recycling services to our customers.

In addition, 3Bear Field Services, LLC is writing to notify the Oil Conservation Division (OCD) of the intention to change its name to DKL Field Services, LLC. The exact timing of this name change in the state of New Mexico is not yet known, but the name change is expected to occur in the next 30-60 days.



Delek Logistics Partners, LP
7102 Commerce Way
Brentwood, TN 37027
615-771-6701

Filings to effect this name change have already occurred in 3Bear Field Services, LLC's state of incorporation (Delaware) and the appropriate name change filings will be filed with the New Mexico Secretary of State once the Delaware filing process is complete. We will provide an updated notice to NMOCD once the filings have been made with the New Mexico Secretary of State.

The reason for the name change is that effective June 1, 2022, DKL Delaware Gathering, LLC acquired the membership interest of 3Bear Energy - New Mexico, LLC (which is a parent company of 3Bear Field Services, LLC).

The new company contact for this permit will be:

Kevin Adams
Senior Manager, Environmental
Kevin.Adams@delekus.com
(409) 553-1480

We appreciate your continued assistance with this Permit. Please don't hesitate to contact us if you have any questions or need additional information.

Respectfully,

A handwritten signature in blue ink, appearing to read "Harry Lewis".

Harry Lewis
Sr. Director - Environment, Health, and Safety
Delek Logistics Companies
12700 Park Central Suite 700
Dallas, TX 75251
(469) 704-7379

cc: Kevin Adams, Delek Logistics, Dallas
Liz Klein - 3Bear Energy, Denver

Venegas, Victoria, EMNRD

From: Venegas, Victoria, EMNRD
Sent: Wednesday, August 3, 2022 9:10 AM
To: Liz Klein; Mike Solomon
Subject: 2RF-128 - COTTONWOOD WATER RECYCLING FACILITY ID [fBGB1911347430]
Attachments: C-147 2RF-128 - Cottonwood Water Recycling Facility 08.03.2022.pdf

2RF-128 - COTTONWOOD WATER RECYCLING FACILITY ID [fBGB1911347430]

Good morning Ms. Klein,

NMOCDC has reviewed the cessation of operations extension request for 2RF-128 - COTTONWOOD WATER RECYCLING FACILITY ID [fBGB1911347430], received from 3BEAR FIELD SERVICES, LLC [372603] on July 12, 2022. The extension of the cessation of operations is approved with the following conditions of approval:

- 2RF-128 - COTTONWOOD WATER RECYCLING FACILITY ID [fBGB1911347430] registration/permit expires on March 16, 2023.
- 2RF-128 - COTTONWOOD WATER RECYCLING FACILITY ID [fBGB1911347430] extension of cessation of operations is approved from July 13, 2022 to January 13, 2023.
- 3BEAR FIELD SERVICES, LLC [372603] will maintain a liquid level in the containment that is at least equal to the weight of the liner plus 20%. 3BEAR FIELD SERVICES, LLC [372603] may maintain a higher liquid level if they choose.
- 3BEAR FIELD SERVICES, LLC [372603] will provide written notice to [OCD Online](#) at least 72 hours, but no more than one week, prior to the recommencement of operations. Recommencement of recycling operations means that the operator plans to resume moving fluids through the containment and discharging fluids from the containment.
 - At the resumption of recycling operations, 3BEAR FIELD SERVICES, LLC [372603] is required to perform an incremental fluid level test for containment liquid levels above the minimum liquid level.
 - 3BEAR FIELD SERVICES, LLC [372603] will fill the containment. 3BEAR FIELD SERVICES, LLC [372603] will pause filling operations at every 10% of total fluid capacity above the minimum level.
 - 3BEAR FIELD SERVICES, LLC [372603] will maintain the liquid level for each 10% volume increase for 24 hours and inspect and operation the leak detection system at the end of the 24-hour period.
 - If there are no liquids present in the leak detection system, 3BEAR FIELD SERVICES, LLC [372603] may proceed to fill the next 10% volume and repeat the process until the containment full design capacity minus the 3-feet of freeboard is reached.
 - If liquids are present, 3BEAR FIELD SERVICES, LLC [372603] should immediately cease the incremental fill test and perform a liner inspection. 3BEAR FIELD SERVICES, LLC [372603] should provide written notice of the fluid detection and liner inspection findings to OCD via [OCD Online](#) using a C-147 (long form) with the "Other" box checked and "Notice of fluid detection" written as the explanation of "Other."
 - Upon notification of fluid detection in the leak detection system, the OCD will verify the source of water (condensation versus produced water).
 - If the detected fluid is confirmed to be condensation, the OCD will issue a written approval to proceed with the incremental fluid level test.
 - If the detected fluid is confirmed to be produced water, 3BEAR FIELD SERVICES, LLC [372603] must comply with 19.15.34.13 NMAC. 3BEAR FIELD SERVICES, LLC [372603] must provide written notification to [OCD Online](#) on the actions taken to comply with 19.15.34.13 NMAC.

- After fluid is detected in the leak detection system, the incremental fill test cannot continue until after a written approval to proceed is issued by the OCD.
- 3BEAR FIELD SERVICES, LLC [372603] must submit copies of the detailed containment inspection records for the prior three months and a report detailing the incremental fluid level test process and results through the [OCD Online](#) system using a C-147 (long form) with the “Other” box checked. “Recommendation of Operations - Incremental Fluid Level Test” should be written as the explanation of “Other.” Form C-147 must be completed and include information in sections 1 General Information, 2 Recycling Facility, 3 Recycling Containment, 4 Bonding, and 10 Operator Application Certification. Section 9 Recycling Facility and/or Containment Checklist may also need to be partially completed. Operators should verify that the resumption of operations notification does not result in any changes to the recycling containment operating and maintenance plan or the closure plan. If the recommendation of operations will affect the operating and maintenance plan or closure plan, operators should check those boxes in section 9 and provide updated plans or plan addendums as attachments to the C-147.
- 3BEAR FIELD SERVICES, LLC [372603] will continue to operate, maintain, and close 2RF-128 - COTTONWOOD WATER RECYCLING FACILITY ID [fBGB1911347430] in compliance with 19.15.34 NMAC, to include but not limited detailed inspection records, removal of trash/oil from containment, and monthly C-148 reporting (even if there is zero activity).
- A minimum of 3-feet freeboard must always be maintained in the recycling containment during operations.
- 3BEAR FIELD SERVICES, LLC [372603] may request a variance for an additional extension to the determination of cessation of operations, which will be reviewed on a case-by-case basis and evaluated on their merits. Extensions are considered for a maximum length of six months.
- An extension of the cessation of operations request for 2RF-128 - COTTONWOOD WATER RECYCLING FACILITY ID [fBGB1911347430], from January 13, 2023 to March 16, 2023 must be submitted through [OCD Online](#) on a Form C-147 (long form) and should include the detailed inspection records for the prior three (3) months.
- 3BEAR FIELD SERVICES, LLC [372603] must recycle at 20% of the total fluid capacity of produced water from 2RF-128 - COTTONWOOD WATER RECYCLING FACILITY ID [fBGB1911347430] no later than through January 13, 2023 to be considered in operations.
- **If 3BEAR FIELD SERVICES, LLC [372603] wishes to extend the registration/permit past the March 16, 2023, a registration/permit extension request must be submitted to OCD. Extension requests are reviewed on a case-by-case basis and evaluated on their merit. Extensions are considered for a maximum length of one year. Additional requests must be submitted to OCD through the [OCD Online](#) on a Form C-147 (long form) as an Extension request and should include a formal extension request letter, a summary of the prior registration/permit period inspection reports, and the copies of the detailed inspection records for the prior permit period. The extension request should be submitted no later than February 16, 2023.**

Please let me know if you have any questions or concerns.

Regards,

Victoria Venegas • Environmental Specialist
Environmental Bureau
EMNRD - Oil Conservation Division
(575) 909-0269 | Victoria.Venegas@state.nm.us
<http://www.emnrd.state.nm.us/OCD/>



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State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

CONDITIONS

Action 124780

CONDITIONS

Operator: 3BEAR FIELD SERVICES, LLC 1200 17th Street, Suite 750 Denver, CO 80202	OGRID: 372603
	Action Number: 124780
	Action Type: [C-147] Water Recycle Long (C-147L)

CONDITIONS

Created By	Condition	Condition Date
vvenegas	NMOCD has reviewed and approved the cessation of operations extension request for 2RF-128 - COTTONWOOD WATER RECYCLING FACILITY ID [FBGB1911347430], received from 3BEAR FIELD SERVICES, LLC [372603] on July 12, 2022. • If 3BEAR FIELD SERVICES, LLC [372603] wishes to extend the registration/permit past the March 16, 2023, a registration/permit extension request must be submitted to OCD. The extension request should be submitted no later than February 16, 2023.	8/3/2022