

State of New Mexico
Energy, Minerals and Natural Resources Department

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Governor

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Cabinet Secretary-Designate

Ben Shelton
Deputy Secretary (Acting)

Gerasimos "Gerry" Razatos
Division Director (Acting)
Oil Conservation Division



BY ELECTRONIC AND CERTIFIED MAIL

Ms. Fatma Abdallah
Silverback Operating II, LLC
1001 W. Wilshire Blvd
Suite 206
Oklahoma City, OK 73112
fabdallah@silverbackexp.com

NOTICE OF VIOLATION

The Director of the Oil Conservation Division (OCD) issues this Notice of Violation (NOV) pursuant to 19.15.5.10 NMAC.

(1) Alleged Violator: Silverback Operating II, LLC, OGRID 330968 (Operator).

(2) Citation, Nature, and Factual and Legal Basis for Alleged Violations:

19.15.34.9 RECYCLING FACILITIES:

(E): The operator of a recycling facility shall keep accurate records and shall report monthly to the division the total volume of water received for recycling, with the amount of fresh water received listed separately, and the total volume of water leaving the facility for disposition by use on form C-148.

19.15.34.10 RECYCLING CONTAINMENTS:

(A): All recycling containments shall be registered on form C-147. All operators or owners shall be named in the form C-147. The C-147 form shall require documentation that the containment will meet the requirements of 19.15.34.11 through 19.15.34.15 NMAC. At the time the C-147 is submitted to the division, a copy shall be provided to the surface owner.

Dayton Recycling Facility

Operator failed to file C-147 and C-148 forms for the Dayton Recycling Facility in violation of 19.15.34.9 and 19.15.34.10 NMAC. A timeline of the violations is as follows:

- On August 8, 2022, the Operator submitted a C-147 form (application) via email for the proposed Dayton Recycling Facility consisting of four (4) recycling containments in Eddy County, NM. OCD notified the Operator via email that all documentation must be submitted through the OCD Permitting Website for consideration and review. OCD indicated to the Operator that it would not review applications, forms, or documents sent via email, as this is not the proper way to file submissions to OCD.
- On July 29, 2024, the Operator submitted a C-147 form (application) for the Dayton Recycling Facility through OCD's Permitting Website. The cover letter of the application was dated August 5, 2022, almost two years ago.
- On August 5, 2024, OCD contacted the Operator to inquire about the construction and operational status of the facility.
- On August 6, 2024, Novo Oil and Gas II, LLC ("Novo") contacted OCD to state they are a third party tasked in doing due diligence for the Operator. At this time, Novo determined and identified that the Dayton Recycling Facility had not been registered.
- On August 14, 2024, the OCD denied the Operator's application for the Dayton Recycling Facility. OCD notified the Operator that the application was rejected because there were several deficiencies with the operations and maintenance plan.
- On August 20, 2024, the OCD sent an email to Novo requesting the start-up date of the facility.
- On August 22, 2024, Novo stated the first barrel of water was recycled on September 24, 2022.
- On October 1, 2024, the Operator submitted an amended C-147 form (application) for the Dayton Recycling Facility.
- On October 9, 2024, OCD approved the C-147 form (application).

The Operator failed to use the proper procedure in submitting documentation to OCD, thus failed to timely file the C-147 form (application) in violation of 19.15.34.10.A NMAC. The Operator has continued to fail in submitting the required monthly C-148 Forms for each month following the September 2022 start-up in violation of 19.15.34.9.E NMAC.

(3) *Compliance:*

- Within two weeks of the issuance of this NOV the Operator must submit all past due monthly C-148 forms from October of 2022. These submissions must be submitted through OCD's Permitting Website. The Operator must continue to submit the monthly C-148 forms on an ongoing basis to stay in compliance with OCD rules.

(4) *Sanction(s):* OCD may impose one or more of the following sanctions:

- modification, suspension, cancellation, or termination of a permit or authorization
- remediation and restoration of a recycling facility, including the removal of surface and subsurface equipment and other materials
- forfeiture of financial assurance
- any other remedy authorized by law

Civil Penalty:

OCD proposes a cumulative total of \$17,500 for 2 separate violations related to the Dayton Recycling Facility and detailed in the Civil Penalty Calculator. See Exhibit A.

The civil penalty calculations are attached. OCD uses its discretionary authority in making these calculations and may recalculate the civil penalties for ongoing violations occurring on or after the date of issuance of this NOV and will take into consideration Operator's good faith effort to comply with the applicable requirements.

***7+Informal Review and Resolution:** A process is available for the informal review and resolution of the alleged violations in the NOV. To initiate the informal review process, contact the OCD employee identified at the end of this letter. If OCD and the alleged violator agree to resolve the alleged violations in the NOV, the agreement will be incorporated into a stipulated final order signed by both parties and stating that the alleged violator admits OCD's jurisdiction to file the NOV, consents to the specified relief, including the civil penalty, if any, and waives the right of review by the Oil Conservation Commission.

***8+Hearing:** If this Notice of Violation is not resolved within thirty (30) days of receipt of service, OCD will hold a hearing on April 24, 2025. Please see 19.15.5.10 NMAC for more information regarding the hearing. However, please note that the hearing does not prohibit OCD from negotiating with the alleged violator at any time to settle the NOV.

For more information regarding this NOV, contact Christy Treviño, Assistant General Counsel, (505) 607-4524 or Christy.Trevino@emnrd.nm.gov.

Regards



Gerasimos Razatos
Director (Acting)

1/31/2025

Date

cc: EMNRD-OGC



| | | |
|---------------------------|---|---|
| Alleged Violator | Silverback Operating II, LLC | |
| Alleged Violator OGRID | 330968 | |
| History of Non-Compliance | No history | 0 |
| Economic Impact | Less than 50 wells or gross sales less than \$500,000 | 0 |
| Total Penalty | \$ 17,500 | |

| API # or Facility ID | Violation Citation | Type of Violation | Description | MinPA(\$) | Multi Day / Single Day | Days in violation | Days Penalized | Penalty Subtotal | Effort to Comply | Negligence and Willfulness | Factor Subtotal | Outstanding Conditions | TOTAL | Comments | |
|---|--------------------|---|---------------------------------|-----------|------------------------|-------------------|----------------|------------------|----------------------------|----------------------------|-----------------|------------------------|---------------------------|-------------|-----------|
| DAYTON RECYCLING FACILITY (FVV2427449353) | 34.10 (Cond. 1) | fail to register recycling containment | Operating without registration | \$ 2,500 | Multiple | 746 | 6 | \$ 15,000 | Cooperation and Compliance | 0 Negligence | 0.2 | 1.2 | No outstanding conditions | \$ 2,500.00 | \$ 15,000 |
| DAYTON RECYCLING FACILITY (FVV2427449353) | 34.9 (Cond. 3) | fail to file C-148 for volumes of water | Failure to submit monthly forms | \$ 2,500 | Single | 716 | 1 | \$ 2,500 | Cooperation and Compliance | 0 Negligence | 0.2 | 1.2 | No outstanding conditions | \$ 2,500.00 | \$ 2,500 |

Sante Fe Main Office
Phone: (505) 476-3441

General Information
Phone: (505) 629-6116

Online Phone Directory
<https://www.emnrd.nm.gov/ocd/contact-us>

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

CONDITIONS

Action 549106

CONDITIONS

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|---|---|
| Operator: Silverback Operating II, LLC 1001 W. Wilshire Blvd Oklahoma City, OK 73112 | OGRID: 330968 |
| | Action Number: 549106 |
| | Action Type: [C-147] Water Recycle Long (C-147L) |

CONDITIONS

| Created By | Condition | Condition Date |
|------------|-----------|----------------|
| vvenegas | None | 2/2/2026 |