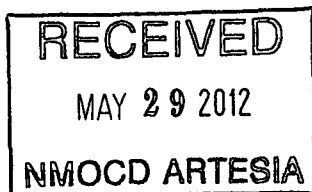


State of New Mexico  
Energy, Minerals and Natural Resources Department

Susana Martinez  
Governor

John Bemis  
Cabinet Secretary

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



Jami Bailey  
Division Director  
Oil Conservation Division



May 23, 2012

David Luna  
XTO Energy, Inc.  
200 N. Loraine, Ste. 800  
Midland, Texas 79705

**RE: Request For Temporary Approval To Treat, Store And Use Produced Water  
EPWM-010  
XTO Energy, Inc.  
Location: Unit A, Section 13, Township 23 South, Range 29 East, NMPM  
Eddy County, New Mexico**

Dear Mr. Luna:

The Oil Conservation Division (OCD) has reviewed XTO Energy, Inc.'s (XTO) request, dated May 22, 2012, to treat produced water utilizing Halliburton Energy Services, Inc.'s (HESI) CleanWave™ water treatment technology, and to temporarily store the treated produced water onsite in existing above-grade tanks, prior to transport via a pipeline to a centralized storage location for distribution and reuse for six scheduled hydraulic fracturing operations. Based upon the information provided in the May 22, 2012 request, OCD understands that this project is expected to take approximately 120 days.

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

1. XTO 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 May 22, 2012 request;
2. XTO shall store, treat, and use produced water only as proposed in its May 22, 2012 request. XTO 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. XTO shall locate the mobile HESI CleanWave™ water treatment system onto XTO's Nash Unit #4 (API 30-015-21777) well pad within Unit A of Section 13, Township 23 South, Range 29 East, NMPM, Eddy County, New Mexico;
4. XTO shall only store, treat, and use produced water from tank battery associated with XTO's Nash 53 SWD (API 30-015-39400), located within Unit H of Section 13, Township 23 South, Range 29 East, NMPM, Eddy County, New Mexico. XTO shall submit a modification request and obtain OCD's approval prior to switching to a new source of the produced water for treatment;
5. XTO shall ensure that the HESI CleanWave™ water treatment system is properly operated and monitored to prevent unauthorized releases;
6. XTO will transport the treated produced water to an off-site centralized collection impoundment, located on XTO's Nash Draw Unit #29 well pad within Unit J of Section 13, Township 23 South, Range 29 East, NMPM, Eddy County, New Mexico, for distribution and reuse for six scheduled hydraulic fracturing operations as identified in the May 22, 2012 request.
7. XTO shall obtain a separate permit from OCD for the off-site impoundment prior to transporting treated produced water via the pipeline;
8. XTO shall report all unauthorized discharges, spills, leaks, and releases of produced water or other oil field waste pursuant to 19.15.29 NMAC;
9. XTO 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. XTO shall not discharge any treated or untreated produced water on the ground, to ground water, or into any surface water body;
11. XTO 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. XTO 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 May 22, 2012 request. XTO 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. XTO shall dispose of any unused, treated or untreated produced water at XTO's Nash 53 SWD (API 30-015-39400);

Mr. Luna  
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14. XTO 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 May 22, 2012 request; and
15. XTO shall submit a report of 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 occur sometime during the period of June 2012 through October 2012. **This temporary approval shall expire May 23, 2013.** 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 exists 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 XTO of liability should operations result in pollution of surface water, ground water or the environment; nor does approval relieve XTO 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](mailto:brad.a.jones@state.nm.us).

Sincerely,



Jami Bailey  
Director

JB/baj

cc: OCD District II Office, Artesia