

**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 WPX ENERGY PRODUCTION LLC FOR AN EXCEPTION  
TO 19.15.34.13(C) NMAC, RIO ARriba COUNTY, NEW MEXICO.**

**CASE NO. 15644  
ORDER NO. R-14314**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This case came on for hearing at 8:15 a.m. on March 16, 2017, at Santa Fe, New Mexico, before Examiners William V. Jones and Phillip R. Goetze.

NOW, on this 27<sup>th</sup> day of March, 2017, the Division Director, having considered the testimony, the record, and the recommendations of the Examiners,

**FINDS THAT:**

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

(2) WPX Energy Production LLC (the "Applicant" or "WPX") seeks an order granting an exception to Division Rule 19.15.34.13(C) 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. Applicant further seeks an extension of the Division District Office's determination of cessation of operations for an additional six months for the facility.

(3) In August 2015, Applicant submitted a modified Division form C-147 for the 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 (OGRID 120782) as the designated operator.

(4) Applicant 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.

(5) During drilling operations in early 2016, Applicant detected leakage in the primary liner for the recycling containment that required the suspension of operations to inspect and possibly repair the primary liner.

(6) 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.

(7) Accordingly, Applicant filed for "an extension to this determination of cessation of operations not to exceed six months." The Division's District III Office approved, in a form C-103 sundry notice dated September 27, 2016, a six-month extension with a termination date of March 31, 2017.

(8) As final testing of the repairs was completed in March 2017, Applicant petitioned the Division's District III Office for an additional six-month extension for the determination of cessation to allow the facility to comply with Rule 19.15.34.13(C) NMAC and return to operation for the next drilling cycle in the Rosa Unit.

(9) Though not opposed to an extension, the Division's District III Office stated that Rule 19.15.34.13(C) NMAC provided for only a single extension that could be administratively approved and, therefore, the request by the Applicant to pursue approval of any additional extension should be through hearing before a Division examiner.

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

- (a) the facility included a recycling containment constructed of two plastic liners (primary liner and secondary liner) with an interstitial leak detection system;
- (b) the supports used for the bird control netting failed of the containment following a weather event in late 2015 subsequent to the time the Applicant had initiated operation of the recycling containment for drilling of horizontal wells in the Rosa Unit;
- (c) from March 2016 until April 2016, Applicant completed drilling operations for a horizontal well utilizing the facility, and later was directed by the Division, which suspected the liner was compromised based on analytical results of samples from the leak detection system, to drain the recycling containment to inspect the primary liner;

- (d) from April 2016 to May 2016, Applicant drained the recycling containment and removed the netting system;
- (e) from May 2016 to August 2016, Applicant's consultant conducted inspections and repairs of damage to the primary liner while Applicant prepared for a new netting system to be installed;
- (f) following the repairs to the liner, Applicant conducted a leak test, approved by Division's District III Office, using a tracer composed of precipitation water and bio-degradable dye and demonstrated that there was no leakage associated with the repaired liner;
- (g) from October 2016 to February 2017, Applicant installed the new bird netting system and refilled the recycling containment;
- (h) in March 2017, the recycling containment underwent additional testing of the liner including expanded sampling of fluids found in the leak detection system which delayed the use of the facility for drilling operations;
- (i) consequently, Applicant requested the additional six-month extension to comply with Rule 19.15.34.13(C) NMAC while the facility is suspended prior to the restarting the drilling program;
- (j) Applicant stated that there was no evidence of a release based on the testing of the liner system along with sample results for fluids found in the leak detection system;
- (k) Applicant acknowledged that the ability of the leak detection system to identify future compromises of the liner through comparison of analytical results was no longer effective and an alternative procedure would be required;
- (l) Applicant identified the primary source of fluids currently contained in the recycling containment as produced waters from Fruitland coal production wells;
- (m) Applicant stated that the facility was needed for the current group of six horizontal wells to be drilled and completed in the Rosa Unit in the next several months and to support future drilling programs within the Unit;
- (n) Applicant provided evidence of support by the Bureau of Land Management, the surface land owner, for the granting of the additional extension; and

- (o) Applicant provided evidence of proper notice following the procedure detailed in Rule 19.15.34.16 NMAC.

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

The Division concludes as follows:

(12) Though equipment and associated conditions with the recycling containment indicated a failure of the primary liner, this liner was repaired without evidence of a release or any quantifiable impacts to the environment.

(13) Approval of the proposed extension will enable Applicant to continue with the proposed horizontal well drilling program that will efficiently produce the reserves for the associated Rosa Unit, thereby preventing waste.

(14) At the request of the Examiners, Applicant provided analytical results for sampling conducted prior to hearing but were not available prior to the close of the hearing. Upon review of this data, the Division finds that the analytical results do not provide any variation or characteristic pattern that would distinguish containment fluids from fluids already present in the leak detection system. Therefore, the use of fluid chemistry as a qualitative indicator of leak detection is no longer appropriate for this facility under current conditions.

(15) The application for an exception to Rule 19.15.34.13(C) NMAC to provide an additional six-month extension should be granted with conditions.

**IT IS THEREFORE ORDERED THAT:**

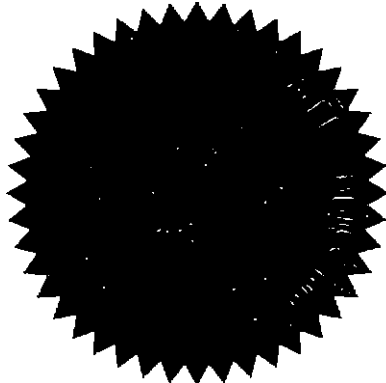
(1) The application of WPX Energy Production LLC (the "Operator") for an exception to utilize its produced-water recycling facility, identified as the Section 30 Containment and Recycling Facility, located in Section 30, Township 31 North, Range 5 West, NMPM, Rio Arriba County, New Mexico, for continued operation is hereby **granted**. The second extension shall be successive to the first extension, starting on April 1, 2017, and terminating on September 30, 2017.

(2) As a condition of approval for the extension, the Operator shall complete the two following requirements within 30 days following the approval date of this order:

- (a) The Operator shall prepare a written procedure for the monitoring of the leak detection system including specific, quantifiable parameters for identifying any future compromises of the primary liner. 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.

- (b) The Operator shall provide to the Division Director a written summary detailing the 2017 and 2018 drilling activities for the Rosa Unit that will utilize the produced-water recycling facility referenced in this order. This summary shall include the specific wells approved by the Bureau of Land Management and the anticipated dates for the wells to be spud.
- (3) Further, the Division Director may approve, pursuant to Rule 19.15.34.13(C) NMAC, a third six-month extension 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.
- (4) All other provisions of administrative permit number 3RF-3 remain in full force and effect.
- (5) 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.
- (6) 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.



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STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read "David R. Catanach".

DAVID R. CATANACH  
Director