STATE OF NEW MEXICO DEAPRTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES OIL CONSERVATION COMMISSION

IN THE MATTER OF THE APPLICATION OF DUKE ENERGY FIELD SERVICES, LP FOR APPROVAL OF AN ACID GAS INJECTION WELL LEA COUNTY, NEW MEXICO

CASE NO. 13589

PRE-HEARING STATEMENT

2005

COMES NOW the Oil Conservation Division (hereinafter, "OCD"), by and

through its attorneys of record, and submits its Pre-Hearing Statement.

ယ -p

APPEARANCES

э Э

Attorney

Party-Intervener

3

Cheryl O'Connor Assistant General Counsel Oil Conservation Division Energy, Minerals and Natural Resources Department 1220 S. St. Francis Drive, Rm 346 Santa Fe, New Mexico 87505 (505) 476-3480 (505) 476-3322 Oil Conservation Division, Energy, Minerals and Natural Resources Department

Applicant's Attorney

Applicant

William F. Carr, Esq. Holland & Hart, LLP P.O. Box 2208 Santa Fe, New Mexico 87504 (505) 988-4421 Duke Energy Field Services, LP

Opponent's Attorney

Opponents

J. Scott Hall, Esq. Miller Stratvert, P.A. P.O. Box 1986 Santa Fe, New Mexico 87504-1986 Randall Smith, Dean "Beach" Snyder, and A.C. Ranch Partnership

PRE-HEARING STATEMENT

1. <u>Statement of the case</u>: The applicant seeks a permit for an acid gas injection well to be located approximately 4.5 miles west of Hobbs, New Mexico.

2. Witnesses:

- a. <u>William Jones</u>: Mr. Jones holds a double B.S. degree in geological and civil engineering. He has been an OCD hearing examiner since 2002. Prior to 2002, he worked for twenty-two years as a petroleum engineer. The OCD may have Mr. Jones testify as an expert petroleum engineer, addressing OCD concerns and conditions in permitting an acid gas injection well.
- b. <u>David Catanach</u>: Mr. Catanach is a petroleum engineer. He has been an OCD hearing examiner since 1985 and is the former director of the UIC program for the OCD. The OCD may seek to have Mr. Catanach testify as an expert petroleum engineer and as an expert in injection wells, including acid gas injection wells.
- c. <u>Wayne Price</u>: Mr. Price received a B.S. in electrical engineering. For the past twenty-five years, he has worked in the environmental field, the last thirteen with the OCD, first in the field and then, for the last eight years, as an environmental engineer, having recently been named as OCD Environmental Bureau Chief. Mr. Price is an expert in the area of ground water remediation an the abatement process, environmental issues relating to oil refineries, gas plants, class 1 and 3 wells, and overall environmental compliance, and has testified as an expert on these issues at administrative hearings and in state and federal court. In this case, Mr. Price will testify as to OCD Rule 118 requirements, including a H2S contingency plan, and a permit.
- 3. Time Required: The OCD estimates that its case will take 40 minutes.
- 4. There are no procedural matters to be resolved prior to hearing.
- 5. <u>Statement of support / opposition</u>: The OCD does not oppose the application. The OCD may call William Jones and/or David Catanach and Wayne Price to testify regarding permits issued by the OCD for acid gas injection wells, safety issues, and to make recommendations regarding conditions to be attached to any permit issued in this case. The OCD will ask the OCC to take administrative notice of: (a) administrative orders permitting acid gas injection wells, including SWD-936; SWD-838, as amended; and SWD-416, as amended; Water Quality Control Commission Regulations; and OCD Rules.

Respectfully submitted,

Cheryl O'Connor,

Assistant General Counsel
Oil Conservation Division
Energy, Minerals and Natural
Resources Department
1220 S. St. Francis Drive

Santa Fe, New Mexico 87505 (505) 476-3480

Certificate of Service

I hereby certify that a true and correct copy of the foregoing was served by e-mail to William F. Carr, Holland & Hart, LLP, attorney for Duke Energy Field Services, LP, at wcarr@hollandhart.com and to J. Scott Hall, Esq., Miller Stratvert P.A., attorney for Randall Smith and Dean "Beach" Snyder, at shall@mstlaw.com this 3rd day of February 2006.

Chery O'Course



NEW M _XICO ENERGY, MII _ ERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

March 9, 2004

Lori Wrotenbery
Director
Oil Conservation Division

Ms. Karin Char Kimura Duke Energy Field Services 370 17th Street, Suite 2500 Denver, Colorado 80202-9732

RE: Discharge Permit Renewal GW-015

Duke Energy Field Services Linam Ranch Gas Plant Lea County, New Mexico

Dear Ms. Kimura:

The ground water Discharge Permit GW-015 renewal for the Duke Energy Field Services Linam Ranch Gas Plant located in the NE/4 of Section 6, Township 19 South, Range 37 East, NMPM, Lea County, New Mexico, is hereby approved under the conditions contained in the enclosed attachment. The discharge plan consists of the original application dated March 16, 1982 approved April 25, 1984, the renewal application dated November 17, 2003 and the attached stipulations of approval. Enclosed are two copies of the conditions of approval. Please sign and return one copy to the New Mexico Oil Conservation Division (OCD) Santa Fe Office within 30 days of receipt of this letter.

The Discharge Permit application was submitted pursuant to 20 NMAC 3106 of the New Mexico Water Quality Control Commission (WQCC) Regulations. It is approved pursuant to 20 NMAC 3109.A. Please note 20 NMAC 3109.E and 20 NMAC 3109.F, which provide for possible future amendments or modifications of the permit. Please be advised that approval of this permit does not relieve Duke Energy Field Services of liability should operations result in pollution of surface water, ground water, or the environment.

Please be advised that all exposed pits, including lined pits and open tanks (tanks exceeding 16 feet in diameter), shall be screened, netted, or otherwise rendered nonhazardous to wildlife including migratory birds.

Please note that 20 NMAC 3104 of the regulations provides: "When a permit has been approved, discharges must be consistent with the terms and conditions of the permit." Pursuant to 20 NMAC 3107.C., Duke Energy Field Services is required to notify the Director of any facility expansion, production increase, or process modification that would result in any change in the discharge of water quality or volume.

Mr. Karin Char Kimura GW-015 Linam Ranch Gas Plant March 9, 2004 Page 2

Pursuant to 20 NMAC 3109.G.4., this permit is for a period of five years. This approval will expire on April 25, 2009, and Duke Energy Field Services should submit an application in ample time before this date. Note that under 20 NMAC 3106.F. of the regulations, if a discharger submits a Discharge Permit application at least 120 days before the discharge permit expires and is in compliance with the approved permit, then the existing discharge permit will not expire until the application for renewal has been approved or disapproved. It should be noted that all discharge permit facilities will be required to submit the results of an underground drainage testing program as a requirement for Discharge Permit.

The Discharge Permit application for the Duke Energy Field Services Linam Ranch Gas Plant is subject to WQCC Regulation 3114. Every billable facility submitting a discharge permit application will be assessed a fee equal to the filing fee of \$100 plus a flat fee of \$4,000.00 for gas processing plants. The OCD has received the filing fee.



If you have any questions please contact Mr. W. Jack Ford at (505) 476-3489. On behalf of the staff of the OCD, I wish to thank you and your staff for your cooperation during this discharge permit review.

Sincerely,

Roger C. Anderson

Chief, Environmental Bureau
Oil Conservation Division

RCA/wjf Attachment

xc: OCD Hobbs Office

ATTACHMENT TO THE DISCHARGE PERMIT GW-015 DUKE ENERGY FIELD SERVICES LINAM RANCH GAS PLANT DISCHARGE PERMIT APPROVAL CONDITIONS (March 9, 2004)

- 1. Payment of Discharge Permit Fees: The \$100.00 filing fee has been received by the OCD. The \$4,000.00 required flat fee may be paid in a single payment due at the time of approval, or in equal annual installments over the duration of the permit, with the first payment due upon receipt of this approval.
- 2. <u>Duke Energy Field Services Commitments:</u> Duke Energy Field Services will abide by all commitments submitted in the Discharge Permit renewal application dated November 17, 2003.
- 3. <u>Waste Disposal</u>: All wastes will be disposed of at an OCD approved facility. Only oilfield exempt wastes shall be disposed of down Class II injection wells. Non-exempt oilfield wastes that are non-hazardous may be disposed of at an OCD approved facility upon proper waste characterization per 40 CFR Part 261.
- 4. <u>Drum Storage:</u> All drums containing materials other than fresh water must be stored on an impermeable pad with curbing. All empty drums will be stored on their sides with the bungs in and lined up on a horizontal plane. Chemicals in other containers such as sacks or buckets will also be stored on an impermeable pad and curb type containment.
- 5. <u>Process Areas:</u> All process and maintenance areas which show evidence that leaks and spills are reaching the ground surface must be either paved and curbed or have some type of spill collection device incorporated into the design.
- 6. Above Ground Tanks: All above ground tanks which contain fluids other than fresh water must be bermed to contain a volume of one-third more than the total volume of the largest tank or of all interconnected tanks. All new tanks or existing tanks that undergo a major modification, as determined by the Division, must be placed within an impermeable bermed enclosure.
- 7. <u>Above Ground Saddle Tanks:</u> Above ground saddle tanks must have impermeable pad and curb type containment unless they contain fresh water or fluids that are gases at atmospheric temperature and pressure.
- 8. <u>Labeling:</u> All tanks, drums and containers will be clearly labeled to identify their contents and other emergency notification information.

- 9. <u>Below Grade Tanks/Sumps:</u> All below grade tanks, sumps, and pits must be approved by the OCD prior to installation or upon modification and must incorporate secondary containment and leak-detection into the design. All pre-existing sumps and below-grade tanks must demonstrate integrity on an annual basis. Integrity tests include pressure testing to 3 pounds per square inch above normal operating pressure and/or visual inspection of cleaned out tanks and/or sumps, or other OCD approved methods. The OCD will be notified at least 72 hours prior to all testing.
- 10. <u>Underground Process/Wastewater Lines:</u> All underground process/wastewater pipelines must be tested to demonstrate their mechanical integrity at present and then every 5 years thereafter, or prior to Discharge Permit. Permittees may propose various methods for testing such as pressure testing to 3 pounds per square inch above normal operating pressure or other means acceptable to the OCD. The OCD will be notified at least 72 hours prior to all testing.
- 11. Class V Wells: Leach fields and other wastewater disposal systems at OCD regulated facilities which inject non-hazardous fluid into or above an underground source of drinking water are considered Class V injection wells under the EPA UIC program. All Class V wells that inject non-hazardous industrial wastes or a mixture of industrial wastes and domestic wastes will be closed unless it can be demonstrated that groundwater will not be impacted in the reasonably foreseeable future. Closure of Class V wells must be in accordance with a plan approved by the Division's Santa Fe Office. The OCD allows industry to submit closure plans that are protective of human health, the environment and groundwater as defined by the WQCC, and are cost effective. Class V wells that inject domestic waste only must be permitted by the New Mexico Environment Department.
- 12. <u>Housekeeping:</u> All systems designed for spill collection/prevention will be inspected weekly and after each storm event to ensure proper operation and to prevent overtopping or system failure. A record of inspections will be retained on site for a period of five years.
- 13. Spill Reporting: All spills/releases will be reported pursuant to OCD Rule 116 and WQCC 1203 to the OCD Hobbs District Office.
- 14. <u>Transfer of Discharge Permit:</u> The OCD will be notified prior to any transfer of ownership, control, or possession of a facility with an approved discharge permit. A written commitment to comply with the terms and conditions of the previously approved discharge permit must be submitted by the purchaser and approved by the OCD prior to transfer.
- 15. Storm Water Plan: Duke Energy Field Services shall maintain storm water runoff controls. As a result of Duke Energy Field Services' operations any water contaminant that exceeds the WQCC standards listed in 20 NMAC 6.2.3101 is discharged in any storm water runoff then Duke Energy Field Services shall notify the OCD within 24 hours, modify the plan within 15 days and submit for OCD approval. Duke Energy Field Services shall also take immediate corrective actions pursuant to Item 12 of these conditions.

- 16. Closure: The OCD will be notified when operations of the Linam Ranch Gas Plant are discontinued for a period in excess of six months. Prior to closure of the Linam Ranch Gas Plant a closure plan will be submitted for approval by the Director. Closure and waste disposal will be in accordance with the statutes, rules and regulations in effect at the time of closure.
- 17. <u>Certification:</u> Duke Energy Field Services, by the officer whose signature appears below, accepts this permit and agrees to comply with all terms and conditions contained herein. Duke Energy Field Services further acknowledges that these conditions and requirements of this permit may be changed administratively by the Division for good cause shown as necessary to protect fresh water, human health and the environment.

Accepted:							
DUKE ENERGY FIELD SERVICES							
L.							
by	Title						



DUKE ENERGY FIELD SERVICES 370 17th Street Suite 900 Denver, CO 80202

303 595 3331

November 19, 2003

NOV 2 1 2003

CERTIFIED MAIL RETURN RECEIPT REQUESTED (Article No. 7002 2030 0006 2471 1544)

Mr. Jack Ford New Mexico Energy, Minerals & Natural Resources Department Oil Conservation Division 1220 South St. Francis Drive Santa Fe, NM 87505

Subject: Linam Ranch Gas Plant

Discharge Plan GW-015 Lea County, New Mexico

Dear Mr. Ford:

Duke Energy Field Services, LP (DEFS) submits the following:

- Enclosed discharge plan renewal application (original and a copy);
- Enclosed check in the amount of \$100 for the discharge plan renewal application filing fee.

Since there have been several NMOCD approved modifications since the original discharge plan was approved, DEFS has consolidated all relevant information into one document to aid in the review of the discharge plan renewal.

If you have any questions concerning the Linam Ranch Gas Plant Discharge Plan renewal, please contact me at (303) 605-1717. Please send all correspondence regarding this Linam Ranch Gas Plant Discharge Plan renewal to me at 370 17th Street, Suite 2500, Denver, CO 80202.

Sincerely,

Duke Energy Field Services, LP

Karin Char Kimura

Senior Environmental Specialist

Enclosures

cc: NMOCD District 1 Office (Certified Mail Return Receipt Requested Article No. 7002 2030 0006 2471 1537) 1625 N. French Drive

Hobbs, NM 88240

District I 1625 N. French Dr., Hobbs, NM 88240 District II 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

Oil Conservation Division 1220 South St. Francis Dr. Santa Fe, NM 87505

Submit Original Plus 1 Copy to Santa Fe 1 Copy to Appropriate District Office

Revised June 10, 2003

DISCHARGE PLAN APPLICATION FOR SERVICE COMPANIES, GAS PLANTS, REFINERIES, COMPRESSOR, GEOTHERMAL FACILITES AND CRUDE OIL PUMP STATIONS

	(Refer to the OCD Guidelines for assistance in completing the application)				
	☐ New ☑ Renewal ☐ Modification				
1. '	Type: Linam Ranch Gas Plant				
2.	Operator: See enclosed discharge plan				
	Address: See enclosed discharge plan				
	Contact Person: See enclosed discharge plan Phone: See enclosed discharge plan				
3.	Location:/4 NE/4 Section 6 Township 19S Range 37E Submit large scale topographic map showing exact location.				
5. 6. 7.	Attach the name, telephone number and address of the landowner of the facility site. See enclosed discharge plan Attach the description of the facility with a diagram indicating location of fences, pits, dikes and tanks on the facility. See enclosed discharge plan Attach a description of all materials stored or used at the facility. See enclosed discharge plan Attach a description of present sources of effluent and waste solids. Average quality and daily volume of waste water must be included. See enclosed discharge plan Attach a description of current liquid and solid waste collection/treatment/disposal procedures. See enclosed discharge plan Attach a description of proposed modifications to existing collection/treatment/disposal systems. See enclosed discharge plan				
11. 12.	Attach a routine inspection and maintenance plan to ensure permit compliance. See enclosed discharge plan Attach a contingency plan for reporting and clean-up of spills or releases. See enclosed discharge plan Attach geological/hydrological information for the facility. Depth to and quality of ground water must be included. See enclosed discharge plan Attach a facility closure plan, and other information as is necessary to demonstrate compliance with any other OCD rules, regulations and/or orders.				
be	See enclosed discharge plan 4. CERTIFICATIONI hereby certify that the information submitted with this application is true and correct to the est of my knowledge and belief.				
	ame: Mark Nault Title: Asset Manager				
Si	gnature: Mark Nault Date: 11/17/03				
F-	-mail Address: MSN/AIII TO DUKE-ENEDRY (D.				

Linam Ranch Gas Plant NE/4 T 19S, R 37E, Section 6

DISCHARGE PLAN

This document constitutes a renewal application for a Groundwater Discharge Plan for the Linam Ranch Gas Plant On-site Landfarm Operation, which was previously approved by NMOCD on November 14, 1991. This Discharge Plan application has been prepared in accordance with the NMOCD "Guidelines for the Preparation of Discharge Plans at Natural Gas Plants, Refineries, Compressor and Crude Oil Pump Stations" (revised 12-95) and New Mexico Water Quality Control Commission (WQCC) regulations, 20.6.2.3-104 and 3-106 NMAC.

1 Type of Operation

On-site landfarm operation. The on-site landfarm:

- Has the following dimensions: 160' x 600' (16 cells each with the following dimensions 75' x 80');
- Has a 2' berm around the landfarm;
- Is lined with two 12 mil plastic sheets;
- Has 6" of native soil on top of the liner to prevent tears;
- Has a sump to collect rain water; and
- Is secured with a chain link fence.

2 Operator / Legally Responsible Party

Operator.

Duke Energy Field Services, LP 11525 West Carlsbad Highway Hobbs, NM 88240 (505) 397-5701 Contact Person: Mark Nault – Asset Manager

Legally Responsible Party

Duke Energy Field Services, LP 370 17th Street, Suite 900 Denver, CO 8020 (303) 595-3331

Contact Person: John Admire - Director, Environmental Protection

3 Location of Discharge / Facility

NE/4 Section 6, Township 19S, Range 37E

See Figure 1 – Site Location Map.

4 Landowner

Duke Energy Field Services, LP 370 17th Street, Suite 900 Denver, CO 80202 (303) 595-3331

5 Facility Description

The facility receives natural gas and natural gas liquids from the natural gas fields. Natural gas passes through condensate separation, condensate reconditioning, cryogenic processing and metering equipment at the facility.

The facility operates an on-site landfarm to perform on-site remediation of soils contaminated with condensate, lube oil, triethylene glycol, and methanol from incidental leakage from process equipment and spill events at the plant and compressor stations located within the Hobbs Area.

See Figure 2 – Facility Plot Plan for the location of the landfarm operations.

6 Materials Stored or Used

No materials for use in the on-site landfarm are stored on site.

7 Sources and Quantities of Effluent and Waste Solids

Table 1 identifies sources and quantities, quality and disposition of effluent and waste solids generated at the facility related to the landfarm operations at the facility.

Table 1
Effluent and Solid Waste Sources, Quantity, Quality

Sõ	игсе	Waste/Quality	Quantity	Disposition
• Pla Are	nt Process •	Condensate contaminated soil	Approximately 30 cubic yards/year	On-site landfarm
Coı	bbs Area mpressor tions	Ethylene glycol contaminated soil		
• Lar	ndfarm •	P	Approximately 10" – 20"/year	Sump for off-site disposal

Separators/Scrubbers

There are no separators or scrubbers involved in the landfarm operations at the facility.

Boilers and Cooling Towers/Fans

There are no boilers or cooling towers/fans involved in the landfarm operations at the facility.

Process and Storage Equipment Wash Down

Wash down is not generated from the landfarm operations at the facility.

Solvents/Degreasers

There is no solvent or degreasers used in the landfarm operations at the facility.

Spent Acids/Caustics

No spent acids or caustics are generated from landfarm operations at the facility.

Used Engine Coolants

Engine coolants are not used in the landfarm operations at the facility.

Waste Lubrication and Motor Oils

Lubrication and motor oils are not used in the landfarm operations at the facility.

Used Oil Filters

Used oil filters are not generated from the landfarm operations at the facility.

Solids and Sludges

Solids and sludges are not generated from the landfarm operations at the facility.

Painting Wastes

Painting wastes are not generated from the landfarm operations at the facility.

Sewage

Sewage generated on site is routed to an on-site septic tank and leach line system subject to the New Mexico Environment Department Liquid Waste Disposal regulation, 20.7.3 NMAC.

Lab Wastes

The facility is not equipped with a laboratory.

Other Liquids and Solid Wastes

Soil contaminated with condensate, lube oil, triethylene glycol, and methanol from incidental leakage from plant process equipment and spill events is placed in the landfarm for on-site remediation.

8 Liquid and Solid Waste Collection / Storage / Disposal

Collection/Storage

Soil contaminated with condensate, lube oil, triethylene glycol, and methanol from incidental leakage from plant and compressor station process equipment and spill events is placed in the landfarm for on-site remediation.

Disposition/Disposal

Following the achievement of acceptable remediation levels, soil remediated in the on-site landfarm is used for new construction, fill material, construction of secondary containment, and/or repairing access roads.

9 Proposed Modifications

The following discharge plan conditions were approved by NMOCD on November 14, 1991 per a request from Transwestern Pipeline Company dated September 12, 1991:

- 1. Additional soil can be placed in the landfarm in 6" lifts and only after analysis of the in-place soil is submitted to the NMOCD for approval.
- 2. Prior to placement in the landfarm, sample and perform analytical testing of a composite sample of all soils to be placed in the landfarm to verify that they are RCRA non-hazardous.
- 3. Perform quarterly sampling and analytical testing to evaluate the bioremediation progress of the contaminated soils in the on-site landfarm.

DEFS requests to amend the discharge plan condition described in Item 1 above to remove the requirement for analysis of the in-place soil and NMOCD approval of the analysis because it is redundant of the sampling and analytical requirements as described in Items 2 and 3 above.

10 Inspection, Maintenance, and Reporting

A 24-inch earthen berm is maintained around the landfarm and 6 inches of native soil is maintained on top of the liner (two 12-mil plastic sheets) to protect the liner from tears. To expedite remediation of contaminated soils, disking is performed quarterly or as needed by Forest Painting, Inc. or other contractor. Additionally, cow manure from local dairies is applied to the landfarm to aid in remediation of contaminated soils, as needed.

Additional soils are placed in the landfarm in 6" lifts. Prior to placing soil into the landfarm, sampling and analytical testing are performed to ensure that the contaminated soils placed into the landfarm are RCRA non-hazardous. Quarterly sampling and analytical testing are performed to evaluate the bioremediation progress of the contaminated soils in the on-site landfarm. Records of analytical results are maintained on file at the facility.

11 Spill / Leak Prevention and Reporting (Contingency Plans)

DEFS will respond to spills as outlined in the facility's SPCC plan and report spills and leaks according to the requirements of the State of New Mexico found in NMOCD Rule 116, 19.15.C.116 NMAC and WQCC regulation, 20.6.2.1203 NMAC.

12 Site Characteristics

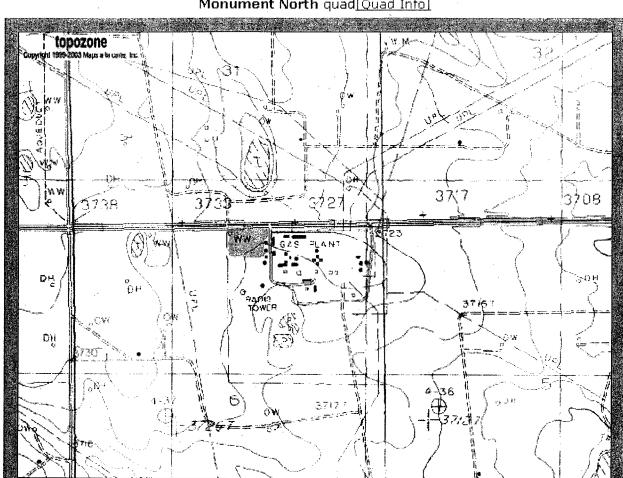
No Changes.

13 Additional Information

All unauthorized releases and discharges will be reported to the NMOCD in accordance with NMOCD Rule 116, 19.15.C.116 NMAC and WQCC regulation, 20.6.2.1203 NMAC.

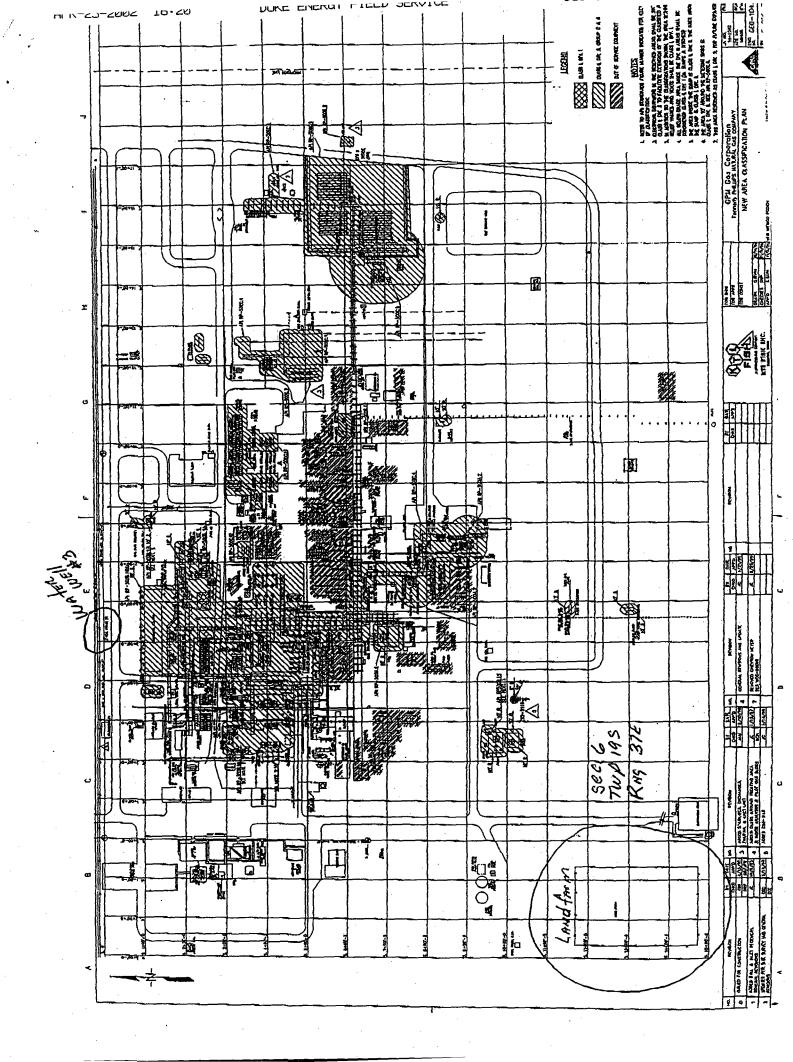
FIGURES

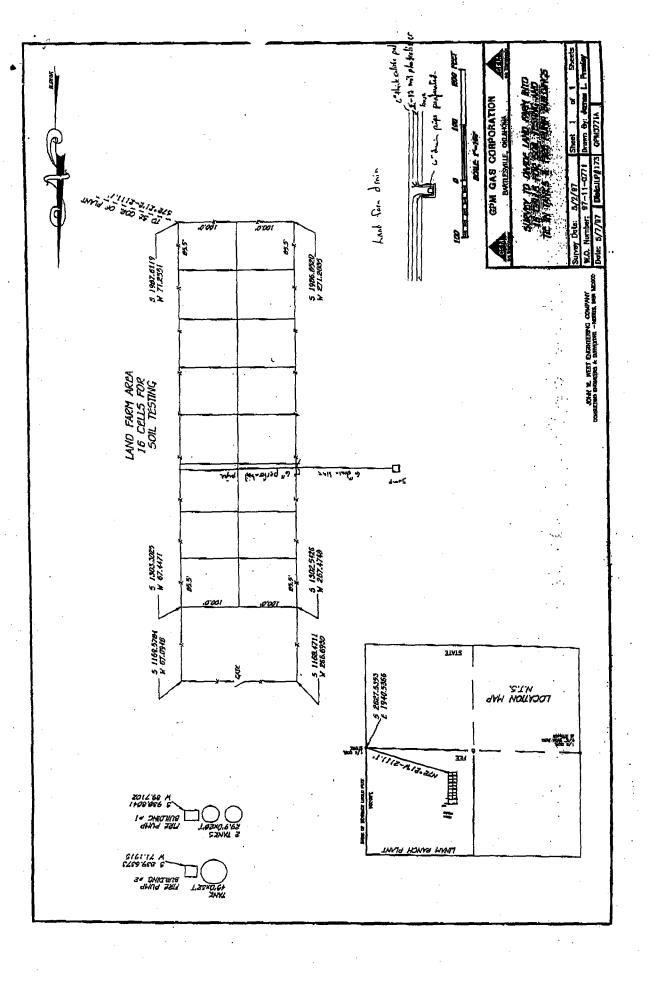
Figure 1. Site Location Map – Linam Ranch Gas Plant.



32° 41′ 43″N, 103° 17′ 07″W (NAD27) **Monument North** quad[<u>Quad Info]</u>

Figure 2. Facility Plot Plan – Linam Ranch Gas Plant.





1010000 00110 00071TT)