

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION
4

5 IN THE MATTER OF THE APPLICATION OF
6 BTA OIL PRODUCERS, LLC FOR APPROVAL
7 OF A SALT WATER DISPOSAL WELL, EDDY
8 COUNTY, NEW MEXICO.
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11 CASE 14559
12

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14 TESTIMONY OF DANIEL SANCHEZ
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16 My name is Daniel Sanchez.

17 Since November 22, 2004, I have been the Compliance and Enforcement
18 Manager of the Oil Conservation Division (OCD) of the Energy, Minerals, and Natural
19 Resources Department (EMNRD).

20 My duties as Compliance and Enforcement Manager include supervising the four
21 district offices of the OCD and the Environmental Bureau of the OCD, and overseeing
22 the enforcement and compliance actions of the OCD.

23 The OCD entered its appearance in Case 14559 to alert the examiner to the fact
24 that BTA Oil Producers, LLC (BTA) did not comply with the requirements of its prior
25 injection permit for the Owl 20504 JV-P #005, 30-015-35435, and to request that the
26 examiners ensure that BTA has complied with any prerequisites before granting BTA an
27 order in this case allowing injection.

28 SWD-1091

29 On August 10, 2007, the OCD issued Administrative Order SWD-1091 to "BTA
30 Oil Producers" authorizing the operator to use the Owl 20504 JV-P Well No. 5, 30-015-

31 35435 (the Owl well) for produced water disposal. A copy of SWD-1091 is **OCD**

32 **Exhibit B.**

33 SWD-1091 required the operator to perform certain actions before beginning

34 injection. For example,

- 35 • “After installing injection tubing, the casing shall be pressure tested from the
36 surface to the packer setting depth to assure casing integrity.”
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38 • “The operator shall notify the supervisor of the Artesia district office of the
39 Division of the date and time of the installation of disposal equipment and of any
40 mechanical integrity test to that the same may be inspected and witnessed.”

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42 The order also set out certain requirements for BTA to meet once it started

43 injecting, including the following:

- 44 • “The operator shall provide written notice of the date of commencement of
45 injection to the Artesia district office of the Division.”
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47 • “The operator shall submit monthly reports of the disposal operations on Division
48 Form C-115, in accordance with Rule Nos. 706 and 1120 of the Division Rules
49 and Regulations.”

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51 The order also provided that the injection authority would terminate one year after

52 the effective date of the order if the operator did not commence injection operations.

53 More than one year passed after the issuance of the order without any C-115s filed

54 showing commencement of injection.

55 Effective June 2, 2008, “BTA Oil Producers” transferred operations to “BTA Oil
56 Producers, LLC,” the current operator. The Change of Operator form is **OCD Exhibit C.**

57 The two companies share the same address and the same regulatory administrator.

58 In early 2010, it wasn’t clear from the OCD’s well file if the well had even been
59 completed. The file didn’t contain a Well Completion or Recompletion Report and Log,

60 BLM Form No. 3160-4, as required for federal completions under 19.15.7.36 NMAC.

61 There was no report of pressure tests conducted on the casing after installation of the
62 injection tubing, as required by the order. The well file did not contain any notice to the
63 supervisor of the Artesia district office regarding the installation of disposal equipment or
64 of any mechanical integrity testing, as required by the order.

65 On February 18, 2010, however, an OCD inspector found that the well was
66 injecting. **OCD Exhibit D** is a copy of the well inspection history documenting that
67 inspection.

68 **Loss of Injection Authority under SWD-1091**

69 On February 25, 2010, the OCD issued a letter to BTA telling BTA that it has lost
70 its authority to inject because more than one year had passed without reported injection,
71 and directed BTA to bring its regulatory filings up to date and apply for a new injection
72 permit. **OCD Exhibit E** is a copy of the letter.

73 After the OCD issued the letter, BTA filed the missing Form 3160-4 reporting
74 completion information on the well, which was accepted by the Bureau of Land
75 Management on June 15, 2010. BTA also filed a sundry notice, reporting that it began
76 injection in 2007. BTA filed C-115s reporting injection from August 2007 to January
77 2010. The OCD well file does not contain any documentation showing a mechanical
78 integrity test for the well.

79 BTA now seeks a new injection permit for the well.

80 **Requested Relief**

81 The OCD's injection orders are typically written to grant authority to inject, while
82 trusting that the operator will perform all the preliminary actions required by the order
83 before beginning injection. BTA violated that trust by injecting under Administrative

84 Order SWD-1091 while ignoring the other provisions of the order. BTA's conduct
85 demonstrates that it needs additional supervision to ensure that it complies with all order
86 requirements.

87 The OCD respectfully requests that BTA be required to demonstrate that it has
88 met all OCD requirements before it is given authority to inject into the Owl 20504 JV-P
89 #005. For example, if any corrective action is required, such as plugging an area of
90 review well, BTA should have to demonstrate that the action is completed before it is
91 allowed to inject. If any special provisions are included regarding the injection well
92 itself, such as the installation of a pressure limiting device or loading the casing-tubing
93 annulus with an inert fluid and equipping it with a pressure gauge or approved leak
94 detection device, BTA should have to demonstrate that it has complied with those
95 requirements before it is allowed to inject. And if any tests are required before injection,
96 such as a mechanical integrity test witnessed by the OCD, BTA should be required to
97 demonstrate that it has passed those tests before the injection permit is granted.

98 There are several ways this relief could be granted:

99 An order could be issued setting out the requirements that must be met before
100 BTA may begin injecting, and requiring BTA to prove that it has met those requirements
101 before a subsequent order is issued actually granting authority to inject. BTA could
102 prove that it has met the requirements by submitting documentary proof (such as an
103 approved MIT, a letter from the district stating that all well construction requirements
104 have been met, etc.) or by providing testimony at a subsequent hearing.

105 , Alternatively, the order could provide that injection authority is granted once the
106 district office or OCD legal has verified that BTA has met all the requirements of the
107 order, and has placed a letter to that effect in the well file.

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109 I, Daniel Sanchez, swear that the foregoing is true and correct.

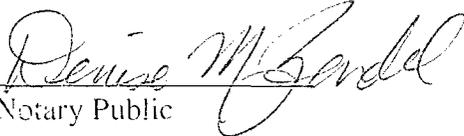
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Daniel Sanchez
Compliance and Enforcement Manager
Oil Conservation Division

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118 Subscribed and sworn to before me this 4th day of October 2010, by Daniel Sanchez.

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Notary Public

124 My commission expires:

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01-09-12