

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:

CASE NO. 14559
ORDER NO. R-13336

APPLICATION OF BTA OIL PRODUCERS,
LLC FOR APPROVAL OF A SALT WATER
DISPOSAL WELL, EDDY COUNTY, NEW
MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on October 14, 2010, at Santa Fe, New Mexico, before Examiner Terry Warnell.

NOW, on this 16th day of November, 2010, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

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

(2) The applicant, BTA Oil Producers, LLC ("BTA" or "applicant"), seeks authority to utilize the Owl 20504 JV-P Well No. 5 (**API No. 30-015-35435** the "subject well") located 2310 feet from the South line and 2310 feet from the East line of Section 18, Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico for salt water disposal.

(3) On July 5 of 2007, the Division received an administrative application from BTA (OGRID 260297). On August 10 of 2007, SWD-1091 was authorized pending certain conditions to be met prior to injection.

(4) The original conditions in SWD-1091 were not complied with and BTA commenced injection on September 5, 2007.

(5) BTA was required by the order to notice the Artesia district office of the Division but failed to do so.

(6) The order also required that BTA would file monthly reports of the disposal operations on Division Form C-115 but failed to do so.

(7) More than one year after the issuance of SWD-1091 no C-115s were ever filed showing commencement of injection. In fact, it wasn't clear from the OCD's well file if the well had ever been completed.

(8) On February 18, 2010, an OCD Inspector found that the well appeared to be injecting.

(9) On February 25, 2010, the OCD division office issued a letter to BTA telling BTA it had lost its authority to inject.

(10) Several weeks prior to February 25, 2010 BTA had shut down its producer and its injection well.

(11) OCD appeared at the hearing not advocating any position with regard to the injection permit. They only wanted to make sure that BTA complies with all OCD prerequisites before granting an order.

(12) BTA presented evidence at the hearing indicating that the subject well is suitable for use as a salt water disposal well.

(13) The BTA Oil Producers application to use this well for disposal purposes into the Cherry Canyon member of the Delaware formation through perforations from 2934 feet to 3282 feet should be approved.

IT IS THEREFORE ORDERED THAT:

(1) The applicant is hereby authorized to utilize for produced water disposal its Owl 20504 JV-P Well No. 5 (API No. 30-015-35435) located 2310 feet from the South line and 2310 feet from the East line of Section 18, Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico, in such manner as to permit the injection of produced water for disposal purposes into the Cherry Canyon member of the Delaware formation through perforations from 2934 feet to 3282 feet and through plastic-lined tubing set with a packer located within 100 feet of the top of the perforated injection interval.

(2) The Owl Draw Unit Well No. 1 (API No. 30-015-10730) reclamation issues shall be resolved with the BLM and remediation documentation filed with the Division prior to commencement of injection.

(3) The following operations, equipping and testing shall be done on the approved injection well prior to injection.

(a) The casing-tubing annulus shall be MIT tested under the direction of the Artesia district office.

(b) Plastic-lined tubing shall be installed in this well with a plastic lined packer located within 100 feet of the top of the injection interval. The casing-tubing annulus shall be loaded with an inert fluid and equipped with a pressure gauge or an approved leak detection device in order to determine leakage in the casing, tubing, or packer.

(4) The operator shall provide written verification to the Engineering Bureau in the Santa Fe office of the Division of completion of the foregoing requirements in ordering paragraphs (2) and (3). The operator shall not commence injection until the Compliance Manager of the Division in Santa Fe issues written confirmation that these pre-injection requirements have been completed and all outstanding compliance issues have been met.

IT IS FURTHER ORDERED THAT:

(5) The operator shall take all steps necessary to ensure that the injected water enters only the proposed injection interval and is not permitted to escape to other formations or onto the surface.

(6) The wellhead injection pressure on the well shall be limited to **no more than 587 psi**. In addition, the injection well or system shall be equipped with a pressure limiting device in workable condition which shall, at all times, limit surface injection pressure to the maximum allowable pressure for this well.

(7) The Division Director may administratively authorize a pressure limitation in excess of the above upon a showing by the operator that such higher pressure will not result in migration of fluids out of the injection formation or the fracturing of the injection formation or confining strata. Such proper showing shall consist of at least an approved step rate injection test run in accordance with and acceptable to this office.

(8) The operator shall notify in advance the supervisor of the Artesia district office of the Division of the date and time of changes in packer, tubing, mechanical integrity tests, or any other work to be performed on this well.

(9) The operator shall immediately notify the supervisor of the Division's Artesia district office of the failure of the tubing, casing or packer in the disposal well or the leakage of water, oil or gas from or around this well or any producing or plugged and abandoned well within the area, and shall take all steps as may be timely and necessary to correct such failure or leakage.

(10) The operator shall notify the supervisor of the Division's Artesia district office of the date and time of the installation of disposal equipment and of any mechanical integrity test so that the same may be inspected and witnessed. The operator shall provide written notice of the date of commencement of disposal to the Division's district office. The operator shall submit monthly reports of the disposal operations on Division Form C-115, in accordance with Division Rules 26.13 and 7.24.

(11) Without limitation on the duties of the operator as provided in Division Rules 30 and 29, or otherwise, the operator shall immediately notify the Division's district office of any failure of the tubing, casing or packer in the well, or of any leakage or release of water, oil or gas from around any produced or plugged and abandoned well in the area, and shall take such measures as may be timely and necessary to correct such failure or leakage.

(12) The operator shall take all steps necessary to ensure that the injected water enters only the proposed injection interval and is not permitted to escape to other formations or onto the surface using any conduit such as fractures or wells.

(13) The injection authority granted under this order is not transferable except upon Division approval. The Division may require the operator to demonstrate mechanical integrity prior to approving transfer of authority to inject.

(14) The Division may revoke this injection permit after notice and hearing if the operator is in violation of 19.15.5.9 NMAC.

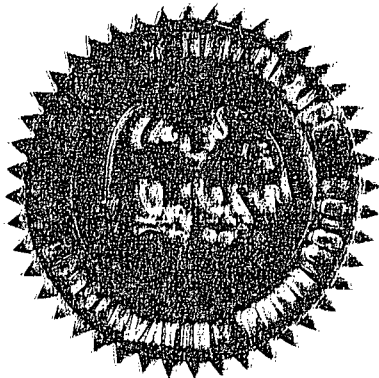
(15) In accordance with Division Rule No 26.12.C., the disposal authority granted herein shall terminate one year after the effective date of this order if the operator has not commenced injection operations into the subject well, provided however, the Division, upon written request, mailed by the operator prior to the termination date, may grant an extension thereof for good cause. One year after disposal into the well has ceased, the authority to dispose will terminate *ipso facto*.

(16) Compliance with this order does not relieve the operator of the obligation to comply with other applicable federal, state or local laws or rules, or to exercise due care for the protection of fresh water, public health and safety and the environment.

(17) All provisions of this order may be revised or amended administratively after notice and an opportunity for hearing are provided to affected parties.

(18) Jurisdiction is retained by the Division for the entry of such further orders as may be necessary for the prevention of waste and/or protection of correlative rights or upon failure of the operator to conduct operations (1) to protect fresh water or (2) consistent with the requirements in this order, whereupon the Division may, after notice and hearing, terminate the injection authority granted herein.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "M. E. Fesmire".

MARK E. FESMIRE, P.E.
Acting Director