

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER AGAINST BTA OIL PRODUCERS LLC, FINDING THE OPERATOR IN VIOLATION OF ORDER NO. R-9147-C, 19.15.26.10.B NMAC, 19.15.34 NMAC, 19.15.17 NMAC AND 19.15.29 NMAC AS TO A SALT WATER DISPOSAL FACILITY; REQUIRING OPERATOR TO SUBMIT A DELINEATION REPORT AND REMEDIATE THE FACILITY SITE; IN THE EVENT OF NON-COMPLIANCE REQUIRING THE OPERATOR TO PLUG AND ABANDON THE DISPOSAL WELL AND REMEDIATE THE ASSOCIATED FACILITY BY A DATE CERTAIN AND AUTHORIZE THE DIVISION TO TAKE THOSE ACTIONS AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCE; AND HOLD OPERATOR IN VIOLATION OF 19.15.5.9 NMAC UNTIL OPERATOR COMPLETES ALL ORDERED CORRECTIVE ACTION, EDDY COUNTY, NEW MEXICO.

CASE 14413

**PRE-HEARING STATEMENT OF THE OIL CONSERVATION DIVISION
FOR THE 8/19/10 HEARING**

The Oil Conservation Division (OCD) submits this pre-hearing statement for the hearing in this matter scheduled for 3/4/10, pursuant to 19.15.4.13(B) NMAC.

APPEARANCES

APPLICANT

Oil Conservation Division

APPLICANT'S ATTORNEY

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RESPONDENT

BTA Oil Producers LLC

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No entry of appearance has been filed.

STATEMENT OF CASE

The issue to be addressed at the August 19, 2010 hearing in this case is whether the operator has complied with Order No. R-13218-A, and to enter an order setting out the next step in the remediation process. The parties hope to be able to submit a stipulated order to the examiners addressing these issues.

Background:

BTA Oil Producers LLC (BTA) is the operator of record for the Pardue C 8808 JVP #001, a salt water injection well located approximately 110 feet to the west of the Pecos River. Overflow pipelines carry produced water from the produced water tank battery at the well site to an unpermitted, unlined pit. For over two years the Oil Conservation Division (OCD) worked with BTA and its predecessor to require the operator to conduct a proper investigation of the site and perform appropriate corrective action. According to a report submitted on behalf of BTA by its consultant, groundwater "has likely been impacted by the facility operations at the surface." The report indicates that the water zone beneath the site "is expressed from the hillside and ultimately leaks into the flowing Pecos River." When the parties were not able to agree to an appropriate delineation and abatement/remediation plan, the OCD filed an application for hearing.

In its application, the OCD alleged that BTA's use of this unpermitted pit to dispose of produced water is in violation of the terms of its injection permit (Order No. R-9147-C); the rules on injection projects (19.15.26.10.B NMAC); the rules governing the disposition of produced water (19.15.34 NMAC); the pit rule (19.15.17 NMAC); and the rule governing

releases (19.15.29 NMAC). The OCD sought an order requiring BTA to remove the pit and return the site to its original condition.

At the first hearing in this matter, the OCD and BTA submitted a stipulated order and settlement agreement to the examiner in which BTA acknowledged the violations and the parties agreed on a path forward to delineate and remediate contamination at the site. Division Director Mark Fesmire signed the order on February 5, 2010. The order was entered in the case as Order No. R-13218. The order required BTA to submit a delineation plan to the OCD's Environmental Bureau by February 25, 2010. The order continued the case until the March 4, 2010 docket. The order provided that the issue to be determined at the March 4 hearing would be the adequacy of the delineation plan and the next step to be taken in the delineation/remediation process. If the parties were able to enter into an amendment to the stipulated order specifying the next step(s), they could request that the case be continued until a future docket.

BTA timely submitted a delineation plan, which the Environmental Bureau approved with conditions. At the March 4 hearing, the parties provided the examiner with a proposed amendment to the stipulated order specifying the next step in the delineation/remediation process. Division Director Mark Fesmire signed the First Amendment to the Stipulated Order & Settlement Agreement on March 10, 2010. The order was entered in the case as Order No. R-13218-A.

Order No. R-13218-A:

The order required BTA to submit a delineation report as described in its approved delineation plan and a proposed remediation approach to the OCD's Environmental Bureau by August 5, 2010. The order continued the case until the August 19, 2010 docket. The order provided that the issue to be determined at the August 19, 2010 hearing would be the sufficiency

of the delineation report and proposed remediation approach, and the next step to be taken in the remediation process. If the parties were able to enter into an amendment to the stipulated order specifying the next step(s), they could request that the case be continued until a future docket.

BTA timely submitted a delineation report and proposed remediation approach. At the August 19, 2010 hearing, the parties hope to provide the examiner with a proposed amendment to the stipulated order specifying the next step(s) in the delineation/remediation process. If the parties are not able to agree, the OCD will request that the examiner enter an order setting out the next steps in the delineation/remediation process.

OCD'S PROPOSED EVIDENCE

WITNESS: Glenn von Gonten, OCD, Acting Bureau Chief for the Environmental Bureau
And/or Jim Griswold, OCD Senior Hydrologist

ESTIMATED TIME: 1 hour.
The OCD intends to offer Mr. VonGonten and/or Jim Griswold as an expert witness to testify on the subjects of delineation and remediation/abatement.

WITNESS: Daniel Sanchez, OCD Compliance and Enforcement Manager

ESTIMATED TIME: 10 minutes

PROCEDURAL MATTERS

At the close of the hearing, the OCD will request that the examiner continue the case until a hearing date at a specified date in the future, and require the parties to appear at that hearing to report on their progress. The OCD may request an additional order and additional update hearings to move the process forward.

Respectfully submitted
this 12th day of August 2010 by

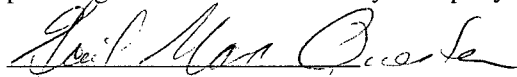


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Attorney for the Oil Conservation Division

Certificate of Service

I certify that I mailed and e-mailed a copy of this pleading to Mr. William Carr and mailed a copy of this pleading to Travelers Indemnity Company at the addresses shown above this 12th day of August 2010.

A handwritten signature in cursive script, appearing to read "Gail MacQuesten", written over a horizontal line.

Gail MacQuesten