Case No.

779

Application, Transcript,
Small Exhibits, Etc.

BEFORE THE

Oil Conservation Commission

SANTA FE, NEW MEXICO

January 13, 1955

IN THE MATTER OF:

CASE NO. 779 - Regular Hearing

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES

COURT REPORTERS

ROOMS 105, 106, 107 EL CORTEZ BUILDING

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ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
January 13, 1955

IN THE MATTER OF:

Application of the Commission upon its own motion for revision of Rule 312 of its Rules and Regulations to promulgate supplementary and additional rules governing the acquisition, transportation and sale of drip gasoline and trap oil.

Case No. 779

BEFORE:

Honorable John Simms, Jr.
Mr. E. S. (Johnny) Walker
Mr. William B. Macey

TRANSCRIPT OF HEARING

MR. MACEY: The next case on the docket is Case 779. Does anyone have any testimony to present in Case 779?

MR. AINSWORTH: I have a statement that I would like to read into the record at the appropriate time.

MR. MACEY: Mr. Girand, do you want to make a statement?

MR. GIRAND: I want to make one statement into the record. My name is W. D. Girand, Representing Famariss Crude Oil Purchasing Corporation.

While we have submitted to the Commission a proposed rule or amendment to the rule covering the drip gasoline and scrubber oil, we did that as a service to the Commission. We want the record to be clear that we have no interest whatever in the rule. It does not apply to any of our operations, it is immaterial whether the Commission acts on it or does not act. We did what we did from the

standpoint of service to the Commission. We want the Commission to understand our position. Thank you.

MR. MACEY: Thank you. Mr. Howell, do you have a statement in this case, or do you have any testimony to give in the case?

MR. HOWELL: Ben Howell, El Paso Natural Gas Company. El Paso Natural Gas Company introduced testimony in this case at a previous hearing. We do not care at this time to introduce any additional testimony. We have prepared some suggested rules which, in general, are the same as suggested rules previously filed by the company. We have revised those in the interest of clarity and added one additional rule, which would require the owner of a gathering and transmission line, that gathers and transports liquid hydrocarbons recovered from drips or other collecting devices on said lines, to file with the Commission a monthly report on Form C-112 indicating therein stocks of liquid hydrocarbons on hand and deliveries to storers or refiners for the month.

We have a number of these copies and we will just offer these as the suggestion of the company, and anyone who wants copies, I think there are enough to go around. They will be available right here.

MR. MACEY: Mr. Ainsworth, do you have a statement?

MR. AINSWORTH: Do you want me to be sworn?

MR. WALKER: Are you going to give testimony or read a statement?

MR. MACEY: I don't think it is necessary.

MR. AINSWORTH: My name is Earl Ainsworth, Permian Basin Pipeline Company, Omaha, Nebraska.

In the development of this Case 779, there have been numerous

references to a certain contract between Permian Basin Pipeline Company and Mr. Joseph S. Newman of Hobbs, New Mexico. Up to this time, Permian has entered no appearance in this case; however, at this time, we would like to make a statement of a general nature in connection with the case.

There does exist a contract between Permian and Mr. Newman, dated June 24, 1954. The primary term of the agreement is for one year from last June 24th.

MR. MACEY: Mr. Ainsworth, they can't hear you in the back.

MR. AINSWORTH: We have already furnished this Commission with a photostatic copy of the contract with Mr. Newman, and, if I may, I should like at this time to introduce that contract, by reference, as a part of this record. Is that satisfactory?

MR. MACEY: That is quite all right.

MR. AINSWORTH: The contract that we have been talking about simply gives Mr. Newman the right to and imposes upon him the responsibility to remove liquid condensates from a number of pipeline "drips" on our Lea County gathering system. Under the agreement, Mr. Newman has full freedom and full responsibility as to the disposition of these condensates.

It is generally known, of course, that in the operation of gas-gathering pipelines, it becomes necessary to construct and connect "drips" at intervals along the line for the purpose of accumulating condensates that separate in liquid form from the natural gas passing through the lines in order to prevent the restriction of the flow of gas through the pipelines. The alternative to some such an arrangement as we have made with Mr. Newman is to blow these condensates into a pit and burn them. And that constitutes waste of

a usable product, although to the pipeline company it is a waste product and a nuisance.

All of the drips to which Mr. Newman has access are located downstream from well metering stations. Hence, all the condensates available to him have settled out of the natural gas stream after the gas has been metered. Therefore, the accounting to operators and royalty owners includes such volumes of gas that liquefy after passing through the meters and thereupon become the problem with which this case is concerned.

Permian Basin Pipeline Company has been operating in New Mexico just a little over a year now, and we have tried diligently to acquaint ourselves with the rules of this Commission and to abide by them. Of course, we shall abide by whatever reasonable rules the Commission might adopt as a result of these proceedings. We do, however, suggest to this Commission that the rules proposed by Famariss Oil and Refining Company in this case go far beyond the needs of this Commission, and would only lead to additional, unnecessary paper work with which we are all burdened enough already.

We respectfully suggest that if this Commission finds need for any rules governing the disposition of so-called "drip gasoline" that those simpler rules proposed by El Paso Natural Gas Company would be entirely adequate. That is the extent of my statement.

MR. MACEY: Thank you, Mr. Ainsworth. Does anyone have any testimony now to present in the case? Proceed with your testimony.

MR. KITTS: I would like to have Mr. Stanley sworn.

S. J. STANLEY,

called as a witness, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. KITTS:

Q Will you state your name and position, please?

A S. J. Stanley, Engineer for the New Mexico Oil Conservation Commission.

Q Where is your place of employment, Mr. Stanley?

A Hobbs, New Mexico.

Q You have testified many times before this Commission as a Petroleum Engineer, have you not?

A Yes, sir, I have.

Q Mr. Stanley, I believe you have made a study of the problem of drip gasoline or drip oil or distillate in the lines of Southeastern New Mexico?

A Yes, sir, I have.

Q Before proceeding with your testimony, you have a statement containing certain recommendations that you wish to make to the Commission?

A Yes, sir, I do.

Q Would you give that, please?

A I recommend that this Commission prevent the burning, evaporation and waste caused by seepage in open pits of hydrocarbon accumulation in gas transmission systems, or scrubber oil recovered at a gasoline plant.

Second, I recommend that the Commission institute controls governing the acquisition, transportation and disposition of crude oil or condensate accumulated in gas transmission systems or treating plants, commonly referred to as scrubber oil, and appropriately reported by use of Commission Form C-112 and C-110.

In conjunction with this recommendation it is further recommended that each owner or operator of a gas transmission system designate the transporter or transporters by means of Form C-110; that the transporter designated by the pipeline transmitter shall erect storage for the accumulation and accurate measurement of hydrocarbons,,and shall report to the Commission on Form C-112, the exact amount of hydrocarbon recovered for each month of operation; and shall account for an accurate disposition of such hydrocarbons as deemed necessary by the Commission.

Q Is that your statement?

A Yes, sir.

Q In connection with your study, Mr. Stanley, have you prepared certain exhibits?

A Yes, sir, I have.

(Marked Commission's Exhibits 1 through 6 for identification.)

Q Would you go to Exhibit 1 and explain what that is?

A First of all I would like to divide my testimony into two parts. I would like to talk about low pressure gathering systems, or casinghead gasolines, whereby gas is recovered in a field by separation of that gas from oil.

Now, commonly in a field we have what is marked here as Exhibit Number 1, which is a low pressure separator, and we have many different innovations and different designs of separators. The modern separator is actually a horizontal separator. Nevertheless, the principle is the same. Whenever we speak of casinghead gas we usually refer to gas that is separated from the oil under relatively low pressure conditions. Usually a back pressure on a gas trans-

mission line will vary maybe as low as two pounds and it may be as high as 50 pounds. Nevertheless, in this exhibit we have what we call an inlet flow diverter, in which oil and gas enter this particular vessel together and gas being much lighter than a fluid, will naturally go to the top of this particular vessel. When it does, we usually have a connection on the particular vent line in which gas is going and at that particular connection we find that a gas transmitter will connect to the vent line and at that particular point take this casinghead gas.

We also have on this separator a device called an oil outlet valve. We also have what is called a back-pressure gas control valve. Actually these two valves operate on the same principle. In this particular exhibit I would like to show this Commission why we do have a hydrocarbon accumulation, usually crude oil, in a low-pressure gas line.

We know that the accumulation of hydrocarbon varies seasonally; that we receive a more accumulation of hydrocarbons in a gas transmission line in the winter time than we do in the summer time. There is a particular reason for this. First of all the oil outlet valve is subjected to corrosion, it is subjected to calcium sulphate deposition or calcium carbonate deposition, and occasionally we find in a field that the oil outlet valve may actually freeze, due to the fact that water and oil may pass from the separator into the treating system through this particular valve. We find that whenever this valve freezes that it can freeze either in an open position which would allow the gas and all the fluids to pass into the stock tanks, or into the treating system, or it could freeze in a closed position. When it freezes in a closed position we fill

our vessel completely full with fluids, that could be water and oil, and at that time, whenever this vessel is filled full of fluids, they actually pass into a gas transmission system.

I would like at this particular time to present one of these valves. I would like to show this Commission what we call a back-pressure valve, and by the same principle, what we call an oil-dump valve. They work on the same principle. I obtained this particular valve, due to the fact it was inoperative, that is, it would not hold any back-pressure, and by the same principle a dump valve working. I would like to show the Commission the corrosion, the deposition that occurs in this particular valve and in its setting position, why this particular valve would leak.

Q We have designated that as Exhibit 3?

A Yes.

MR. KITTS: We request permission to withdraw that Exhibit.

A We have other adaptations of valves that the operators are using in the field, and we have noticed especially in the Monument Pool that operators have installed a different type of a valve, which is a modern version of this valve, and I would like to show the Commission this particular valve. It actaully has a ceramic body inside the valve, whereby there will not be deposited sulphate or carbonate deposition, and this valve is also equipped with a clamper and no ring device. It can't be replaced when it is worn out.

Secondly, many operators in the Monument Pools themselves have installed that same device between the gas transmission connection and the separator, to insure that they will continuously have a back-pressure on the separator, and thereby causing the fluids to

enter the stock tanks.

Q Will you explain very briefly, Mr. Stanley, the workings and purpose of a back-pressure valve, for the record?

A This particular separator requires, or any separator in the field requires a certain amount of pressure to overcome hydrostatic head and friction, in order for any hydrocarbon to move in this particular separator to a stock tank or a treating system. We usually find that the stock tanks are much higher elevation and actually are higher than the separator, causing this particular separator to dump its fluids only at a certain pressure, due to the fact that we have a higher hydrostatic head to overcome, and also friction. Naturally we saw in the field, or observed in the field, the operators have gone through quite a bit of expense in order to use another device or back-pressure valve which is installed between the gas transmission connection and the separator. In many cases, however, an operaotr will use the back-pressure device on what is called a meter loop.

Q You are now referring to what has been marked as Exhibit 2, are you not?

A Yes.

Q That is a photograph taken by you?

A Yes, sir, I took that photograph. In this particular device where an operator does not have a back-pressure valve as referred to previously, they utilize the pressure on this particular valve which belongs to the gas transmitter, to maintain a certain pressure on the separator.

I would like to mention the fact that this valve itself is subject to corrosion. It can mechanically fail, and when it does, we may

expose the pressure of this particular separator at such a low point that it can not dump these fluids, either to a treating system or into a stock tank. Therefore, we could have double failure, the sticking of the oil outlet valve, or mechanical failure in a back-pressure valve on the meter loop. Anytime we have these failures and the pressure is insufficient to dump the fluid, naturally these fluids will pass into the gas transmission line. I would like to show the Commission some samples that we have collected from low-pressure gas lines throughout Southeastern New Mexico.

(Marked Commission's Exhibits 7 through 25, for identification.)

Q I believe those are marked Exhibits 7 through 12?

A This particular Exhibit is from El Paso Natural Gas Company, Exhibit Number 11, from their Plant Number 2 in Section 24, Township 24 South, Range 37 East. The gravity of this particular product is 28 degrees, at 60 degrees fahrenheit.

Q Was that collected from a drip?

A Yes, sir, at the time that we collected this sample, El Paso Natural Gas Company had installed automatic drips throughout their system, and we obtained this sample directly from an automatic drip that was emptying this product into an open pit.

We have here, Exhibit Number 12. It also came from a 30 inch line, coming into what is called their Plant Number 2. It has a gravity of 28 at 60 degrees fahrenheit.

We have here what is marked Exhibit Number 10. We obtained this particular sample from Warren Gasoline Plant in Monument. We obtained this product from the scrubber system. It has a gravity of 28 at 60 degrees fahrenheit.

We also have some additional samples on El Paso's lines. This particular exhibit marked Number 9 has a gravity of 28 at 66 degrees fahrenheit.

Q That was, likewise, collected from a drip, was it?

A Yes, sir. We have here what is marked Exhibit Number 8, the Gulf Gasoline Plant in Eunice, New Mexico. We obtained this sample from a scrubber system in the particular plant, and it has a gravity of 30 degrees at 67 degrees fahrenheit.

We also have what is marked Exhibit Number 7. This was also picked up from El Paso Natural Gas Company lines, and a feeder line going into Plant Number 2, Section 34, Township 24 South, Range 37 East. It has a gravity of 30 at 64 degrees fahrenheit.

The reason that I am showing these samples is the fact that I would like to show to the Commission that the hydrocarbon accumulations in a low-pressure gas line, we believe, are mainly crude oil. This particular oil is indicative of the Langley-Mattix oil or the Monument Pool oil.

Q Mr. Stanley, were all these exhibits, were they collected by you or under your direction?

A They were collected under my supervision, on December 10, 1954, which was just a few days ago. We had a very fortunate thing happen in Southeast New Mexico, we actually received a snowfall.

Q January 10th?

A I mean January, excuse me. We knew at that particular time, with the temperatures being low, we know that these mechanical difficulties during the cold spell are encountered, as previously mentioned, and usually in Southeastern New Mexico at that particular time, whenever it is cold, we notice that we have very many fires

in the area. I actually had taken photographs that particular day and we followed one of the operators who had unloaded his hydrocarbon accumulation into pits and was going down the line setting them a-fire.

Q Those are Exhibits 5 and 6, so marked?

A Yes, sir. We had noticed that morning as he had driven down, we had seven or eight fires throughout the area, throughout the Monument area. They may not have all been hydrocarbon accumulation in the low gathering systems; perhaps some of the fires may have been due to tank bottoms. Nevertheless, I would like to present these photographs, which actually is a pit of oil that is being burned, that was blown out from low-pressure gathering systems and set a-fire a safe distance from the gas transmission line.

Q Were both pictures of the same fire?

A Yes, one is a close-up and the other is some distance away. The reason I bring up these photographs is, I would like to see this particular hydrocarbon saved. I know it can be arranged for a truck to actually pick it up and not be burned. I believe that the product itself can be saved and should be saved.

Q You are convinced that that is crude oil, are you?

A Yes, sir, I am.

Q Mr. Stanley, this oil you say that passes into the transmission lines, would that be metered in the fluid state?

A No, this particular metering device measures gas and does not measure any fluid that passes through that meter.

Q You believe that it passed the meter in fluid state?

A Yes, sir.

Q You spoke of cold weather, Mr. Stanley. Let us say that the

valves worked properly in the separator. Would you expect to find any oil passing through those lines, barring some mechanical stoppage or failure?

A No, sir, I believe that usually whenever every particular device, the back-pressure valve, the oil outlet valves are working properly, they should theoretically separate the oil and gas, allow the oil to pass into the stock tanks and the casinghead gas to go down the transmission system.

I would like to present the second part of my testimony which is relative to the high pressure gas system. I would like to show the Commission why we actually get an oil accumulation under high pressure conditions. First of all, I have here what is marked Exhibit 14. It is a contour map on the top of the Yates formation in Southeastern New Mexico. Actually this exhibit has been introduced to the Commission prior to this time on many cases.

The top of the Yates reflects some of the formations, some of the lower formations through the Queen, I believe, and that is generally understood by the oil industry. The reason that I present this particular exhibit is the fact that we have a very interesting operational problem west of Monument, or west of the oil center. Actually we have in the Eumont Pool a gas producing horizon which is commonly referred to as the Penrose sand in the Queens section. We find as this Penrose sand dips to the west and gets structurally lower, that we have an oil ring surrounding the Eumont Pool. This oil ring not only occurs in a western position of the Eumont Pool, but also to the north, and we believe it may to the east. We know that it occurs to the south. We found that an operator drilling a gas well in a structural position, usually at around minus 150 sub-

sea, can actually, instead of completing a gas well, complete an oil well. We have a fringe in this particular area, whereby we have had certain gas wells which initially potentialled for approximately 4,000,000 cubic feet a day, where actually in time it converted to oil and in one case with as low a ratio as 3,000 to one.

We find here that many times the operator himself does not realize that he is continuously producing a spray of oil. Naturally we feel that many of these particular wells do produce a spray of oil on the west side of the Monument Pool or the west side of the Eumont Pool, whichever the case may be. And, actually crude oil enters the gas transmission system or a high pressure gas system whenever we are devoid of a high pressure separator installation.

I would like to call the Commission's attention to many synclinal lows that we have in the Yates formation. The well known Falby Yates case whereby in the Yates section itself, we do have an accumulation of oil and as you go up structure you finally get into the main gas pool, which is called the Jalmat Pool. We do know that there is a transition zone and when you pass from the oil wells to the gas wells in this particular case, that some of these particular wells produce a spray of oil. Since we do not have high pressure separation, at that particular time, we can~~'t~~ expect crude oil to enter a high pressure system. I would like to call the Commission's attention to many synclinal lows that we have. Generally they are concentrated in the Jal area where the Yates section has an accumulation of oil. Therefore, we feel that in a high pressure gas system we have a combination of two products. We can have condensate, we can have crude oil. I would like to show the Commission some samples, whereby the two products are actually com-

bined.

We have what is marked here Exhibit 15, 15A, 15B, and we also have what is marked Exhibit 13. These particular maps are gas transmission companies maps showing low pressure gathering systems and high pressure gathering systems. The reason that I would like to refer to this particular exhibit, Exhibit Number 13, which is Permian Basin Pipeline's map, I would like to present this particular map and show why in some cases we may have condensate and then up the line as we approach their plant, which is located on the Carlsbad-Hobbs Highway, why we then have a change in product instead of having a light product condensate which is generally collected in the Blinebry and Tubb, that these particular samples are discolored due to the fact that we have an entrance of oil from the west side of the Eumont Pool.

At this particular time I would like to present some samples collected from the various high pressure gas systems.

Q These maps were not prepared by you, but you are satisfied as to their accuracy?

A Yes, sir.

Q Exhibits 13 through 15B?

A Yes, sir. I think these maps were actually made by El Paso Natural Gas Company. We asked El Paso for copies of these particular maps. We also obtained this map from Permian. They were prepared by the companies, I assume. This is Exhibit Number 16 and 17. These two exhibits were collected from Permian Basin Pipeline Company. Both exhibits were collected in Section 11, Township 22 South, Range 37 East. Exhibit Number 16 was collected from a 12-inch line and Exhibit Number 17 was collected from a 4-inch line.

I believe that both of these exhibits reflect condensate, both having a gravity above 70 degrees, at 50 degrees fahrenheit.

Q Mr. Stanley, would you expect the condensate to pass through the meter in a gaseous state?

A It could be possible that it passes through the meter in a gaseous state and is metered due to the physical properties of condensates, perhaps due to a lowering of temperature this product registers in the line.

Q And, therefore, probably registers in the meter?

A They have probably been registered as gas. I would like to talk a little more about these samples, their clearness and why they are clear. These samples, as I previously said, were collected in Section 11, Township 22 South, Range 37 East. Actually if you refer back to a map, or in any pool map, we find that these samples were collected within a short distance from certain wells in the Blinebry and Tubb Pool. Actually I believe that these samples on one drip may have been collected from condensate formed in the line caused by Ohio Worthman's Lease; Magnolia Long; ~~Roland~~ Lowan Elliott B-13 Number 1; Gulf Oil Corporation Dan-grade, or the Penrose Hinton Number 5. All of these wells are in the Blinebry and Tubb, and it is known that the Blinebry and Tubb is a combination condensate and could be an oil reservoir, as referred to in our previous hearings in the Blinebry case. But, as we move up the line we get a different type of a sample. We get a mixture of crude oil and condensate, and I would like to read the description of these various samples into the record.

This particular sample was collected out of Mr. George Bloucher's tanks, Exhibit Number 18, at the El Paso Natural Gas Company Plant

One. It has a gravity of 46 at 56 degrees fahrenheit. Actually this sample is a combination of a product that he had mixed in his tanks, mixing a higher gravity product with a low gravity crude.

This particular sample marked Exhibit 19 is also out of Mr. Bloucher's tanks at the El Paso Natural Gasoline Plant. It has a gravity of 42, 48 degrees fahrenheit. Now we move up the line. As previously mentioned, this particular sample marked Exhibit Number 20 has been caught from Permian Basin Pipeline Company, Section 34, Township 21 South, Range 36 East. It has a gravity of 65 at 51 degrees fahrenheit.

Q Was that collected from a drip?

A Yes, sir, from a high pressure drip. This particular sample marked Exhibit 23 was collected in Section 28, Township 20 South, Range 37 East. It has a gravity of 62 degrees at 50 degrees fahrenheit.

Q That likewise was collected from --

A (Interrupting) From the Permian Basin Pipeline high pressure line. Here is a sample marked Exhibit 22. We collected this particular sample from a Newman tank battery located in Section 11, Township 22 South, Range 37 East. It has a gravity of 69 at 50 degrees fahrenheit.

As we move further north we have what is marked Exhibit Number 21, taken from Permian Basin Pipeline Company in Section 6, Township 20 South, Range 37 East. It has a gravity of 52 degrees at 49 degrees fahrenheit. The sample was collected from a drip on a 16-inch line.

We usually found in the collection of these samples, that as we proceeded northward to their gasoline plant located on Hobbs-

Carlsbad Highway, that we had a lowering of gravity and we attribute this fact to the crude oil that is entering the line in the west part of the Eumont Pool.

Here are some more samples, marked Exhibit 25. This was taken from Permian Basin Pipeline in Section 33, Township 19 South, Range 37 East. This particular sample has a gravity of 49 at 49 degrees fahrenheit. We collected this sample from a 24-inch line. We have what is marked as Exhibit Number 24, another sample collected from George Bloucher's tanks at El Paso Natural Gasoline Plant, Plant No. 4. It has a gravity of 70 degrees at 54 degrees fahrenheit.

Q Mr. Stanley, would you expect these samples here, the contents of these bottles, would you expect those to register on the gas meter, would you expect them to go through in a liquid state or a gaseous state, or could you make any generalization on that?

A I can make some generalizations. I don't know whether they would pass in a gaseous state. I feel reasonably sure whenever you are producing condensate they could pass in a gaseous state, but I am convinced that some of the crude oil produced in the synclinal lows and on the west side of the Eumont Pool actually may pass a meter under a liquid state and not be recorded.

Q In other words, some of these samples of too low gravity, you feel that some of that may have passed through in a liquid state?

A I feel that could actually be a combination of both condensates and crude oil, and we obtained a mixed sample.

Q And, therefore, would not register on the meter?

A That is correct.

MR. KITTS: That is all.

MR. MACEY: Are there any questions of the witness? Mr. Howell?

CROSS EXAMINATION

By MR. HOWELL:

MR. HOWELL: Ben Howell, El Paso Natural Gas Company.

Q Mr. Stanley, is it a fair summary of the testimony to say that the separators near the wells when working properly do separate the liquids and permit only the gas to go into the line?

A Yes, sir, I believe that is generally the case.

Q The separators which are used in the field there are generally of the type and characteristics that are conventional and customary in the industry, are they not?

A Yes, sir, they are.

Q The occasions which result in oil passing through usually result from some condition such as weather or a mechanical breakdown?

A I believe so, yes, sir.

Q In the operation of the industry, generally it is just impossible to control the weather, isn't it?

A Yes, sir, it is.

Q Unfortunately, we can't always control mechanical breakdowns either?

A That is correct.

Q As a result, we do have things beyond the control of the operator, the operators of the wells that permit oil to enter the gas pipelines?

A Yes, sir, that is correct. Of course, we can have, one operator may beprudent in his operation and may be a little more

efficient, others are not. I do believe that is generally correct.

Q Then gas having entered, or the gas and liquids having entered the lines, it then is necessary in the proper operation of the line, to install some sort of drips to remove the liquids from the gas pipeline?

A That is correct.

Q And that is done generally throughout the field there?

A Yes, sir, however, we have found that different operators, some choose to push the product whenever they have overly much pressure to the plant, and others may have such a low pressure that they could actually get a fluid block in the transmission line and at that particular point they would necessarily have to remove any accumulation they have for their operation.

Q In many of the plants there is a scrubber device of some character, that takes the oil out before the gas enters the plant for processing?

A Yes, my understanding is that it is an obnoxious product that must be removed.

Q Also, there is the difficulty that where a number of wells are attached to any particular gathering line, that it is almost impossible to determine the origin of any particular oil that might have slipped through?

A Yes, sir, that could be very possible.

Q And there would also be instances, would there not, where it would be uneconomical to attempt to pick up crude oil at certain locations on the gathering system?

A That could be very possible, due, probably, to the position of the drip and small accumulation of hydrocarbons.

Q Also, it is a little bit difficult to forecast when there is going to be a mechanical breakdown or excess accumulation, isn't it?

A That is correct.

Q Would you say that it would be possible when liquids pass through the customary meter, that they do cause the meter to register a larger amount of gas than actually passed through?

A Well, I don't exactly know, or have not studied the effect of the meter and its measurement at the time that the fluid is passing through that meter. I do know that meter was designed to measure gas and gas only.

Q That is, the meter doesn't measure liquid as such. You wouldn't say that the meter when liquids pass through, might not show more gas than actually passed through?

A It could be possible. I do not know what effect fluid would have on that particular meter.

Q Would you not think it advisable that the limitation on the gathering and marketing adopted by the Commission be primarily, and certainly at this time, one of reporting the quantities that have been accumulated at the various points at which liquids drop out?

A That is correct, we try to check our records and there actually is no accounting, you might say of an accurate nature, at the present time. That is the only recommendation that I made so that this Commission could really understand how much of this is involved, how much of the product is involved and at a later time, after we study further, if it is deemed necessary to formulate more rules, I think the Commission should consider the case again.

My recommendation at this time, this particular time my recommend-

ation for an accurate reporting to see how much of the product is involved.

Q Whatever system of reporting is adopted should be one that is reasonable, considering the characteristics of drips all over the field?

A Yes, sir, I think it should be very reasonable, and I would say that the minimum reporting, in order not to cause a burden on people collecting the product or the gas transmission company.

MR. HOWELL: Thank you.

A I would like to read, at this particular time, into the record -- I will give you the sheet of paper. This is copied from the Texas Railroad Commission, Section 2, Page 10. I do not advocate its adoption by this Commission at this particular time, however, I would like to read it to show that another State was very much concerned with so-called scrubber oil, and they adopted rules in the State of Texas for its primary control. It reads as follows:

"WHEREAS, In the operation of casinghead natural gasoline plants there is necessarily some small amount of crude oil which is carried over into the gas lines from the operation of separators and is known as scrubber oil, which collects in drips installed in the low points of the gathering lines and also in the scrubbers at the plants; and,

WHEREAS, Some question has been raised as to the amount of this scrubber oil which might properly be cleared on tenders; that is, as to what the proper amount is that might be legitimately collected in such operations; and,

WHEREAS, On January 17, 1936, after notice as required by

law had been given, a hearing was held in the Commission's Hearing Room at Austin, Texas, at which hearing evidence was introduced and from which evidence the Commission finds that no more than .75 of a barrel of scrubber oil per well per month can be legitimately recovered from such operation:

THEREFORE, BE IT ORDERED by the Railroad Commission of Texas, that in the interest of conservation of crude oil and natural gas in the State of Texas, that all scrubber oil accumulated in the operation of casinghead natural gasoline plants may be cleared on tenders but in no event to exceed in amount to .75 of a barrel of scrubber oil per well per month."

I believe the balance refers to tenders and its movement. I won't read it, in order to save time. However, I would like to make the statement that I am not recommending the adoption of such a rule at the present time.

MR. MACEY: Anyone have any questions of the witness? Go ahead, Mr. Kitts.

RE-DIRECT EXAMINATION

By MR. KITTS:

Q Mr. Stanley, in your experience, is this accumulation of these drips, are these isolated occurrences, or does it happen quite frequently?

A It happens more frequently in the wintertime than the summer. I think if we had an accurate reporting system, we could plat a graph where we could show we have had a heavier condensation or a greater amount of accumulation in the winter than in the summer.

Q But, it probably amounts to many barrels, does it not?

A Yes, sir, it does. The reason that I say that it does is

because we have reviewed some of Form C-110 which entitles certain operators to movement of this particular product. One case we have --

Q (Interrupting) You are talking of crude oil?

A We are talking about all the products. We have known that the Famariss Refining Company had C-110 for approximately 10,000 barrels, I believe I am correct, for the month of January. I believe that Mr. Newman had requested somewhere between five or eight thousand, I don't know the actual figures. What Mr. Newman had requested in his movement I do not remember, but it is probably in the hundreds of barrels. Actually what is being burned, that could be added to it, so that if you added the total product, I would say there was considerable product being involved.

Q You feel that a good deal of crude is being burned in the fashion illustrated in Exhibits 5 and 6?

A Yes, sir, and I do feel that the operators of this particular gas transmission company state that they would be willing to save that particular product if the Commission would inaugurate some rules for the prevention of it being burned.

Q On cross examination, Mr. Stanley, Mr. Howell asked you a question and you admitted that quite possibly liquids passing through a gas meter would have some effect on the meter, is that correct?

A It would have some effect, but I don't know what effect it would have.

Q You wouldn't expect that type of meter to give an accurate reflection of the amount of liquids that pass through, would you?

A No, sir, I don't believe that anyone could read that meter and state the number of barrels of fluid that is passing through it

at that particular time.

Q You also agree that there is no question here of fault or blame in having this crude oil in drips? It usually occurs from mechanical failures, it is no one's fault?

A That is correct.

Q But, what you are interested in is seeing that particularly the low gravity oil is not wasted or is disposed of in some orderly manner, is that correct? A That is correct.

MR. KITTS: That is all.the questions I have. I didn't offer my exhibits in evidence, and I would like to offer in evidence, Exhibits 1 through 25 inclusive, and request permission to withdraw Exhibits 3 and 4.

MR. MACEY: Is there objection to the introduction of these Exhibits? If not the Exhibits will be received.

MR. JOHNSON: Theodore R. Johnson, representing Newman Gas Service.

RE-CROSS EXAMINATION

By MR. JOHNSON:

Q Mr. Stanley, the separators and valves where you would ordinarily have mechanical failure, is that under the control of the operator of the gasoline facilities?

A Not in all cases. All the valves in Exhibit Number 1, which show a separator are under the control of an oil producer, or oil operator. However, in the absence of a back pressure valve, which is installed between the pipeline connection and the separator, that actually the oil operator resorts to a back pressure on this separator from the back pressure valve on the meter loop. This particular valve is under the operation of the gas transmission company, re-

ferring to Exhibit 2.

Q Do they always have those back pressure valves between the well and the main line?

A Yes, sir, we may have, as you understand, we may have a multiple of back pressure valves. Some operators have deemed it necessary to install the back pressure valve and not rely entirely on one valve which is installed on the meter loop, as marked on Exhibit 2. They would like to have their own back pressure valve and check it themselves.

Q But, in an incident of that kind would be where the producing lessee or the producer would be relying upon the use of the valve which the operator of the pipeline --

A (Interrupting) It would be very possible. Understand, Mr. Johnson, that in this particular exhibit, Exhibit Number 1, we do actually show back pressure valves here, and all vent-lines do have a back pressure valve on the end of the vent-line. There is a reason for that. Whenever due to mechanical difficulties marked in Exhibit 2, a gas transmitter not wanting the gas, and under emergency, could actually close the particular valve marked on Exhibit 2. When that valve is closed, the operator must resort to his own back pressure valve, which is not actually in use in this particular exhibit until such time as that valve is closed. This particular back pressure valve becomes operative and the gas is flared to the atmosphere, but in the meantime it does hold a back pressure on the separator for his operational problems and the dumping of that fluid into the stock pens.

Q In an incident of that kind, that would be under the operation and control of the producing lessee?

A Yes, sir.

Q Does that particular separator that you have shown there on your Exhibit Number 1, I believe, is that a low pressure or a high pressure separator?

A That is a low pressure separator.

Q Low pressure. The order from which you read, which was passed and adopted by the Railroad Commission of the State of Texas, did it apply to low pressure lines or high pressure lines?

A That particular order refers, I believe, to low pressure lines.

MR. JOHNSON: No further questions.

MR. MACEY: Any other questions of the witness?.... You mentioned the fact that there was a possibility of considerable volume of oil being produced by gas wells. I believe you referred generally to the Eumont area where the wells producing dry gas might produce a spray of oil. Are most of those wells connected directly into the transmission system without benefit of separation equipment.

A Yes, they are.

MR. MACEY: They have no way of knowing whether the well is making a spray of oil or --

A No, it would take them considerable time to find that out.

Q Do you have any recommendation as to what the Commission should do to require the operators to check that?

A No, sir, I do not. I haven't studied it well enough to make a recommendation.

MR. MACEY: Anyone else?

MR. JOHNSON: Mr. Johnson representing Newman Gas Service. I have one other question.

By MR. JOHNSON:

Q Did the Permian Gas line, is that a low pressure line or a high pressure line?

A It is considered a high pressure, usually five hundred to five hundred fifty pounds. In fact, Permian Basin Pipeline does not have, at least I do not know of any low pressure lines in Southeastern New Mexico.

Q Would you say that the testimony which you gave, which was applicable to low pressure lines would apply to high pressure lines?

A To a certain extent it would. The problem is related. I feel there is one difference between a high pressure line and a low pressure line. I think that in a low pressure line, generally we accumulate crude oil at a greater percentage of crude oil, but in a high pressure line we could have a combination of two products, condensate and crude oil.

RE-DIRECT EXAMINATION

By MR. KITTS:

Q That is what was shown by Exhibits 18 through 25?

A Yes, sir.

Q High pressure accumulation?

A Yes, sir.

MR. MACEY: Does anyone have any further questions of the witness? If not the witness may be excused.

(Witness excused.)

MR. MACEY: Does anyone have anything further in this case? Mr. Porter?

MR. PORTER: I have a question to ask Mr. Howell relative to his recommendation of El Paso. This is merely a clarification

on my part, Mr. Howell. I refer to Paragraph C of your recommendation, which refers to the owners gathering and transporting its own products. In that I notice that the only form that you have recommended be filed is a C-112. The other cases recommended the C-110 be filed.

MR. HOWELL: That is correct.

MR. PORTER: In other words you don't deem it necessary for an owner to file a C-110 authorizing the transportation of this product?

MR. HOWELL: That is our intention.

MR. PORTER: Another thing, in Paragraph A, I believe your Paragraph A refers strictly to the recovery of these products, the gathering and recovery, and in Paragraph B you refer to the transportation, is that right?

MR. HOWELL: That is correct.

MR. PORTER: In each case the C-110 would be executed by the owner of the transmission facilities, designating a transporter?

MR. HOWELL: Correct.

MR. PORTER: As I understand this recommendation, before that C-110 could be approved, the proposed or designated transporter would have to be, would have to have a permit from the Commission to transport the product?

MR. HOWELL: Perhaps I could amplify our thinking a bit on this rather than answer your question directly yes or no. We had contemplated under the Rule A, the necessity for any person who was going out to drips belonging to someone else to obtain a permit before he was authorized to go out to those drips and pick it up. We would require that person to obtain from the Commission a

permit and establish that that person was in that legitimate business of going out and picking this up. That is to stop, to some degree, at least, the stealing from drips, because a person then would not be authorized to take from a drip unless he had obtained this permit. We would use the Form C-110 in that instance, as evidence of the authority given that person by the owner of the pipeline facilities to go out on the line and do that.

Our Rule B is generally intended to cover the situation of transporting after it has either been gathered by the pipeline company or by the individual himself. We would not require the permit in advance, but the filing of the Form C-110 under those conditions. That is, it has already been gathered. In the third instance, while the pipeline company is the owner of the products merely files the report showing the disposition that has been made. Perhaps that reflects our thinking, the reason behind our distinguishing the three different types of operations.

MR. PORTER: Yes, I believe I understand. That is all I have.

MR. MACEY: Mr. Howell, maybe I am a little dense, but do I understand that you -- Let's suppose El Paso Natural decides to market the crude oil that collects in some of their drips. Do you propose to furnish the Commission with a C-110 in order to be authorized to transport that crude oil?

MR. HOWELL: No, under this we would propose to furnish them with a C-112 showing that report after the sale rather than prior to.

MR. MACEY: You think a pipeline company or refinery would accept that crude oil without a C-110?

MR. HOWELL: Our thinking is that the liquids which have been accumulated have been produced legally, passed through the meters and are owned by the company in the same situation really as products that are taken out of the gas itself. That is, that it is incidental thereto.

MR. MACEY: Mr. Porter, do you think they would take the crude oil from El Paso?

MR. PORTER: I doubt it. However, I think that I understand Mr. Howell's position. In other words, as the owner, they would be designating a transporter and they would just be designating themselves as the transporter. Of course, I, myself, think that C-110 should be filed, even one of that nature, because when it is approved by a Commission representative they become the authorized transporter.

MR. MACEY: Mr. Newman?

MR. NEWMAN: Would they have to be filed monthly or one blanket coverage for the entire length of the contract from Permian? How would you file those?

MR. PORTER: It is my thinking, Mr. Newman, that a C-110 once filed and approved by the Commission, would be good until, as long as that transporter, that owner is in business.

MR. NEWMAN: Just so long as the Commission has a copy of the contract showing that I am the owner of it and can collect it, one copy would cover it only, the entire operation?

MR. PORTER: It is my opinion that only one C-110 is necessary. I would hesitate to recommend anything else for the reason that it is hard to anticipate in advance the amount of the product which is to be transported during any particular month. After all, the

volumes that are transported are accounted for on Form C-112 at the end of the month.

MR. MACEY: Does anyone have anything further in this case? If not we will take the case under advisement.

STATE OF NEW MEXICO)
: SS.
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 19th day of January, 1955.

Ada Dearnley
Notary Public, Court Reporter

My Commission Expires:
June 19, 1955

BEFORE THE

Oil Conservation Commission

SANTA FE, NEW MEXICO

Hobbs, New Mexico

October 20, 1954

IN THE MATTER OF:

CASE NO. 779 - Regular Hearing

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES

COURT REPORTERS

ROOMS 105, 106, 107 EL CORTEZ BUILDING

TELEPHONE 7-9546

ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Hobbs, New Mexico
October 20, 1954

IN THE MATTER OF:

The application of the Oil Conservation Commission for regulation relating to drip gasoline.

Applicant, in the above-styled cause, seeks revision of Rule 312 of its Rules and Regulations to promulgate supplementary and additional rules governing the acquisition, transportation and sale of drip gasoline and trap oil.

Case No. 779

BEFORE:
Honorable Edwin L. Mechem
Mr. E. S. (Johnny) Walker
Mr. William B. Macey

TRANSCRIPT OF HEARING

MR. MACEY: The next case on the docket is Case 779. In Case 779 the Commission called the case upon its own motion, because of a number of problems which have arisen with reference to to the handling of so-called drip gasoline. I might point out we don't even have a definition of drip gasoline, but I think you all know what I am talking about. We have, under the existing Rule 312, some provisions for the handling of pit oil and scrubber oil and creek oil and so forth, but no where in our rules do we have any provision whatsoever on the handling of drip gasoline. I think Mr. Porter, if he is still here, can probably outline the problems that we have run up against, and what we have done so far in the absence of rules. Pete, I would appreciate it if you would come up here and tell them all about it.

MR. PORTER: As Mr. Macey has said, this is a fairly recent problem. We were first confronted with it in the early part of the summer. That is when we were approached by a prospective transporter of drip gasoline as to the procedure that we would use in handling this transportation. In the absence of rules, specifically covering this, I discussed the matter with Mr. Macey and Mr. Spurrier, at that time, and it was agreed that in order to get this thing kicked off to making some usable disposition of the drip gasoline, that we would authorize the transportation by the use of Commission Form C-110 . That plan we have followed. Thus far we have had only one transporter, that being the Newman Gas Company, and he is, at the present, transporting the drip to two different destinations, one being the Famariss Refinery at Monument, and the other to central storage in the south end of the county where it is being picked up by Wiekert Refinery of Wiekert, Texas, at the beginning of each month, and as of the tenth thereafter, as needed, the applicant files a C-110 requesting authority to transport so many barrels of drip gasoline. That we approve, and at the end of the month, or by the 15th of the following month, he files Form C-112, which is the Commission's Transporters and Storer's report form, showing the origin of the drip, and also its disposition.

From the last part of June through the month of September we had authorized a movement of, I believe, 3,200 barrels of drip gasoline in such a manner as we have described, and up through the last of September they had transported 2,211 barrels. Of course, we expect quite an increase in the movement of drip gasoline during the winter months and we are in this hearing inviting any

who may to come before the Commission and propose such rules as they think will adequately handle this situation. At the present time I have no recommendations.

MR. MACEY: I might make the comment that I have been confronted with El Paso Natural Gas Company and also Permian Basin Pipeline Company, and I have informed both of them that in my opinion the only equitable way to handle the case would be to continue it until next month, to give everyone a chance to think the thing over. We have to get the thing rolling because there is a very serious question in my mind as to whether or not we have not already authorized a movement of the drip gasoline when we authorized the movement of natural gas, because the natural gas includes the liquids when we authorize it to be moved. I am strictly throwing that in the hopper for your consideration. I don't know whether Mr. Yost agrees with me or not on that. Anyway, Mr. Girand representing Famariss Oil and Refining Company who are one of the proponents of the original rule that we came up with, Rule 312, they are slightly interested in the case and he has submitted to us some proposed forms and rules to be used in connection with this particular rule. We can produce the suggested forms and the suggested rules and mail them to you with the docket for next month if you so desire. I have not had an opportunity to examine it and I know Mr. Porter has seen the forms. I don't know what you think about them, whether they are adequate or whether they are too much, but in any event, if we feel that it is feasible we will distribute this form prior to the hearing next month. Mr. Girand, do you have any comment that you might want to make in the case?

MR. GIRAND: In line with the decision of the Commission

to continue the matter until next month or next hearing date, I would rather wait until that time to put on whatever proof of our proposed order, and the appropriate forms to accompany it.

MR. MACEY: I might point out that we might not be able to get this printed up and mailed in the docket, but we would have them available at the hearing for examination. If we can get them out in the mail we will do it. It forms a little bit different situation.

MR. PORTER: I saw the forms just briefly, a few moments ago, and it would be my position that this case should be continued until November, because I would like to have a look at both the forms and the proposed rules.

MR. MACEY: You might have some recommendations to make?

MR. PORTER: I might.

MR. MACEY: In view of the request we have -- I have more or less indicated to El Paso and Permian that we were going to continue the case until next month. Unless there is an objection we will continue the case to November 17th. If not, in the absence of objection we will go ahead and continue the case until the 17th, that is Case 779 and continue on to the next case.

STATE OF NEW MEXICO)
: SS.
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Hobbs, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 6th day of November, 1954.

My Commission Expires:
June 19, 1955

Ada Dearnley
Notary Public, Court Reporter

ADA DEARNLEY & ASSOCIATES
SYENOTYPE REPORTERS
ALBUQUERQUE, NEW MEXICO
TELEPHONE 3-6691

BEFORE THE

Oil Conservation Commission

SANTA FE, NEW MEXICO

November 17, 1951

IN THE MATTER OF:

CASE NO. 779 - Regular Hearing

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES
COURT REPORTERS
ROOMS 105, 106, 107 EL CORTEZ BUILDING
TELEPHONE 7-9546
ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
November 17, 1954

IN THE MATTER OF:

Application of the Commission upon its own motion for revision of Rule 312 of its Rules and Regulations to promulgate supplementary and additional rules governing the acquisition, transportation and sale of drip gasoline and trap oil.

Case No. 779 - (Cont'd.)

BEFORE:

Honorable Edwin L. Mechem
Mr. E. S. (Johnny) Walker
Mr. William B. Macey

TRANSCRIPT OF HEARING

MR. MACEY: The next case on the docket is Case 779.

MR. GIRAND: At the request of the Commission I formulated some proposed amendments to Rule 312, Section C of the Rules of the Commission. It has just recently come to my attention that these changes will not be entirely applicable to all of the interested parties, in that certain of the industries such as the gas pipeline people will only be confronted with drip gasoline, and will not be confronted with the other items covered in the order. We were attempting to assist the Commission in formulating a system of results which would provide for an adequate accounting method for transporters and purchasers of so-called waste oil, scrubber oil, washing oil, creek oil and drip gasoline. In compiling these amendments or changes, we followed more or less a reporting system and requirements of the Commission for operators who operate what

we call reclamation plants.

We feel that the reporting forms as submitted are adequate, and would meet all the tests that are necessary for the Commission to be apprised from time to time of the operation of each permittee. It is our belief that after having talked with some of the representatives of the gas pipeline people, that in all probability we need to have two rules, one covering the pit oil, creek oil, washing oil and such waste, and one to cover just strictly the drip gasoline.

With that in mind I might say this, I thought the Commission was going to pass out copies or have mimeographed, or distribute copies of the proposed amendment. I learned on arrival here that had not been done. I will read what is proposed here if the Commission desires.

MR. MACEY: Go ahead.

MR. GIRAND: Referring to Rule 312, Treating Plant, and Sub-section C, the rule as now in operation was only changed to the following extent in that paragraph. After pit oil, on the second line, was added "scrubber oil", and in the third line, after transporter, we added "to an authorized purchaser". Then the words after C-110 were added, "provided, however, before any person other than the owner shall pick up, re-claim salvage or transport", and after the words "or transport" were added words,"washing oil, creek oil, pit oil or scrubber oil, a permit to do so shall be obtained from the owner or operator of the lease, pipeline or refinery." Now, "pipeline or refinery"was added. "A permit from the duly authorized agent of the Commission. A purchaser or transporter desiring to obtain a permit to perform the services under sub-section (c) of this Rule shall" —and all the rest of the rule is new— "file with the

Commission a surety bond of performance, satisfactory to the Commission, payable to the Commission of the State of New Mexico in the penal amount of $25,000.00. The purpose of that requirement of that rule was to more or less establish the reliability of the operator or the transporter or purchaser.

2. "A written application for a permit to transport shall be filed, and a public hearing had thereon. All applications to show: (a) the name and location of the lease, trap or pit;

(b) the number of well or wells from which the oil or drip was produced, or the source of such oil or drip." -- That is one of the items that the gas company, pipeline companies say they will not be able to comply with.

"(c) The name of the owner, operator or the manager of the lease, pipeline or refinery.

(d) Contracts of purchase, if any."

3. "All permittees will be required to establish permanent storage facilities in the area called for in the permit and give the location there of such facilities to serve the area covered by the permit."

4. "All permittees will be required to furnish the following evidence, to-wit: (a) run ticket showing acquisition; (b) an accumulation report showing storage; (c) C-110; (d) monthly reports.

After granting of the permit, in the event the permittee is found guilty of violation of any of the rules of the Rules or Regulations of the Oil Conservation Commission, or any of the laws of the State of New Mexico, in regard to the production, sale and transportation of oil or drip gasoline, said permit shall be subject

to cancellation without hearing.

The Commission may suspend any permittee upon presentation of evidence upon violation of the Rules and Regulations of the Commission, provided, however, that such suspension shall be temporary until the charges against the permittee be made known to the permittee, and a hearing before the Commission must be granted the permittee within 20 days after the notification of the charges made, and should the Commission determine that the charges are well founded, the Commission may then enter its order cancelling the permit."

The proposed forms that were attached to the memorandum that I gave to the Commission did not include the C-110. However, the forms that were submitted are such forms as are presently being used by the Famariss Crude Oil Purchasing Company which operates a reclamation plant in Lea County. They are the reporting forms which we are now using to report to the Commission the operation of that plant. Does the Commission have any question?

MR. MACEY: Mr. Girand, as I understand it, if the man had a treating plant under which he had obtained a permit to serve a certain area, you specify that the application shall show the leases that he is going to pick up the particular oil?

MR. GIRAND: Yes.

MR. MACEY: If he desires to extend his operation to include a new area or a new lease two months after he has gotten his permit, he has to have an application, he has to get permission from this Commission, after hearing, to go out and pick up the oil?

MR. GIRAND: I think once the individual has qualified as

a permittee, that he should be able to supplement his operations or extend them without further hearing. The qualifications, the bond should cover any and all operations within any area and not be limited to the area covered by his initial application. It might be well to provide for that in the rule.

MR. MACEY: I notice that in your proposal you only refer to washing oil, creek oil, pit oil, scrubber oil, and don't make any reference to any type of drip gasoline or oil that might be obtained from drips. The only place you refer on a person desiring to purchase or transport drip oil or drip gasoline is in the second portion of your proposal, and also in the last paragraph.

MR. GIRAND: The first paragraph there, or the first sentence is similar to the original first sentence in the old rule. Drip gasoline has not been referred to in it at all, no, sir.

MR. MACEY: Anyone have any questions of Mr. Girand?

MR. HINKLE: If the Commission please, Clarence Hinkle, representing Humble Oil and Refining Company. The Humble would like to go on record as favoring the adoption of the rule which would govern and cause an accurate accounting of the acquisition, transportation and sale of drip gasoline and drip oil. However, this rule which has been proposed has not been distributed to those present and I think they should have an opportunity to study it. For that reason I would like to move that the case be continued until next month with the understanding that copies of the proposed rule be circulated with the next docket so as to give an opportunity to all those interested to study it before it is adopted at the next hearing.

MR. GIRAND: Mr. Hinkle, will you hold up on your motion

for just a moment? I think I will join with you, but Mr. Howell has some suggestion in regard to the rule as it would effect the pipeline carrier and it was our thought that maybe in the interim between now and the next meeting, maybe industrywise, an order could be formulated that might be better. I am sure it could be better.

MR. MACEY: Mr. Howell?

MR. HOWELL: Mr. Macey, we would like to put on a little evidence as background as to what the problem is. Then I think we would be perfectly willing to join in a motion for continuance, after that. We are prepared to put on some brief evidence.

MR. MACEY: I might say that we can distribute the proposal of Mr. Girand with the next docket, all except the run ticket, which I think everyone is familiar with. We can duplicate the rest of this information and distribute it if you would like to have it. We didn't have time to do it before the last mailing. Do you move for continuance?

MR. GIRAND: Mr. Howell wants to put on some evidence.

MR. MACEY: Do you want to put it on today?

MR. HOWELL: Yes, we also have some rough suggestions that we would like to put into the hopper so they can be considered in the interim.

MR. PORTER: Just one question of Mr. Girand. I notice here that you are proposing central storage for the collection of this drip. Once that drip is on -- collected, and the transporter wishes to take that to a refinery or its destination, then it would be necessary for him to file a C-110 for a specific number of barrels of drip.

MR. GIRAND: That was the intention, as I understand it,

Mr. Porter.

MR. PORTER: That is all.

MR. MACEY: Mr. Howell?

J. W. B A L C H ,

called as a witness, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. HOWELL:

Q Will you state your name for the record?

A J. W. Balch.

Q What position do you hold with El Paso Natural Gas Company?

A I am the supervisor of the Gas Production Department and the Gas Dispatching Department.

Q In Lea County?

A For the Permian Division.

Q For the Permian Division. Approximately how many drips are there in the New Mexico portion of the Permian Division on your gathering system and the transmission lines to the Company?

A Well, right in the Southeastern New Mexico or Lea County, we have 1155 miles of gathering system which includes both low pressure and high pressure lines. On the high pressure system we have approximately 350 drips, on the low pressure line approximately 150 drips.

Q Do you have any other drips at the location of your plants?

A That is right, on the inlet of each of our plants that we have high pressure gas coming into, we have large drips at the inlet of each of the plants.

Q Now, then, what is the nature of the liquid that is

collected in the drips at the various places? Just what is it that you find there?

A Well, generally speaking, all the liquid caught in these drips is primarily casinghead gasoline with some incidental oil and water.

Q In most instances does that drip require processing before it constitutes a marketable or usable product?

A I would say that in all cases it does.

Q Can you determine the well or wells from which drip, in any one place, accumulated?

A In a few isolated cases we might, but in most cases it will be hard to do because we will have a trunk-line, we will have a drip on the trunk-line, then on our laterals feeding into the trunk-line we might have one drip or two drips on that with somewhere, anywhere from two to 15 wells coming in on lateral with a drip or maybe two drips on them.

Q Insofar as the trunk-line is concerned, any drip there, to try to determine the well or leases from which that drip was produced, would be just like saying which tooth of a buzz saw cut you, wouldn't it?

A That is right.

Q So, insofar as drip gasoline is concerned, would you recommend that there be no requirement that the lease or wells from which that drip was produced be furnished?

A I would, yes.

Q What basic principles do you think should be followed in the rules? Would you advocate that there be a portion of the rule designed to cover the drip gasoline problem and another portion to

cover the surface oil, waste oil, pit oil and that type?

A Yes, I would.

Q Would a rule which required a transporter, any transporter other than the owner of the line, to obtain a permit and establish to the satisfaction of the Commission his responsibility in general be satisfactory?

A I think it would.

Q You think it would be workable?

A I believe it would be.

Q Would you have any objection to the bond provision which was suggested by Mr. Famariss?

A No.

Q Do you think that after obtaining the permit that reports should be filed by the transporter showing the Commission the quantities that were transported?

A Yes, I do.

Q The point of origin, how would you identify the point of origin as a practical matter on the gatherings in the El Paso Natural Gas Company's system?

A Well, that would be rather hard to do, but you could determint the location of the drip and, like on the inlet to our plants, that is where we get the largest recovery of casinghead gasoline, on the big drips into our plants, though, could be very easily identified as to the location.

Q Do you think it would be reasonable identification just to show that it came off the company's gathering system?

A I think that would be all that is necessary.

Q What is the difference between the relative volumes pro-

duced in the summer and winter?

A Naturally in the wintertime we gather a considerable more amount than we do in the summertime. Due to a lower atmospheric, you get a greater recovery of liquid in the wintertime than you do in the summertime.

Q The company's system in the San Juan Basin has similar drips on it?

A Yes.

Q Are you familiar with the details up there?

A I am not too familiar with the operations there, but I understand there is something like 1100 wells connected up there and I would say that there would be a great deal of recovery of liquids in San Juan Basin that would be in our system in Lea County.

Q Would this rather general simple rule that we have recommended work in both the San Juan and Lea County, in your opinion?

A I think it would.

MR. HOWELL: We have here some copies of a rule that is suggested, and I will frankly admit it is rather rough in its form. We would like to reserve the right, we will just leave them up here if anyone wants to get them. That is in the form of a rough suggestion and is made applicable to the transportation or marketing of drip gasoline obtained from the pipeline. We would like to reserve the right to make such improvements and would welcome suggestion from anybody else as to improvements. That is all the testimony we have.

MR. MACEY: Any questions of Mr. Balch?

MR. STANLEY: I would like to ask Mr. Balch a few questions.

CROSS EXAMINATION

By MR. STANLEY:

Q How many plants does El Paso Natural Gas have in Lea County?

A You mean --

Q (Interrupting) Gasoline plants?

A Gasoline plants, we have three right now.

Q How many barrels of liquid, that includes oil, drip gasoline and water do you recover on the average, per month, per year, from the total of the four plants?

A At the four plants?

Q Yes.

A I am sorry, I can't answer that, Mr. Stanley.

Q Do you have any idea at all how much liquid you recover?

A You mean at the gasoline plants?

Q Yes.

A You mean through extraction purposes, or at the drips on the inlet to the gasoline plants?

Q Let's include all the drips, scrubber oil and all incidental oil that comes into the lines in conjunction with the gas.

MR. MACEY: Prior to processing.

Q Prior to processing.

A I can't answer that, Mr. Stanley, because we have a regular department, gasoline department that takes care of that. I am not in a position to answer it. I will say this, on the high pressure gas that we gather in the field, this is strictly a rough estimate, nothing else. I would estimate that we recover something like two gallons per million cubic feet of gas. That is in the summertime. In the wintertime I would say that would increase up to, close to

50 gallons per day, that is in our drips.

Q In the meantime, during the operation and during normal oil field practices, in the event that a separator valve gets stuck you may recover some incidental oil with the gas?

A That is right, that is where we picked up the incidental oil.

Q Usually that occurs more in the wintertime than in the summertime?

A That is right.

MR. STANLEY: I would like to make a statement that I feel like Ben Howell, that any liquid that is recovered by any gasoline plant can not be accounted for due to the fact that you do not know the source of that particular oil. It is impossible to forecast the fact that any separator may be stuck, or on any particular lease. Nevertheless, if any appreciable amounts of liquid, including hydrocarbons and not water is recovered, I feel that should be sold without accounting for it in raw dealers, and not burned.

MR. MACEY: Does anyone have a question of the witness?

By MR. MACEY: Mr. Balch, with the great number of drips that you have on your present high pressure and low pressure system, you undoubtedly are forced to dispose of a lot of liquids that it is not commercial for anyone to go out and pick up, I realize that drip gasoline is more or less of a headache to you.

A That is right.

Q Let's assume that on your high pressure line you had a number of drips and it was commercially feasible for somebody to go out and pick up the drip gasoline, whether it be two gallons per drip or two barrels per drip. How big are the drips anyway?

A Generally speaking they will hold approximately five barrels.

Q Do you have your own facilities to go out and pick it up, or do you go out and pick it up?

A No, we blow it in pits out to the ground.

Q Do you know of anybody that would be interested in going out and going down your right of way, periodically, and cleaning out the drips?

A Oh, yes.

Q There are lots of people interested?

A That is right.

Q The reason I brought that up is, I personally think that any incentive which we should create for someone to go out and pick up drip gasoline might be a little bit burdensome for a man to get a $25,000.00 bond to go out and pick up drip gasoline if he just had a tank truck, if his sole permit was to pick up drip gasoline and not any incidental oil or anything else.

A Well, now, I might add that in our low pressure lines, we will catch more oil in our low pressure line, Mr. Macey, than we will in our high pressure line. Very little casinghead gasoline would I think that we would catch there. Of course, we blow that out into pits also.

MR. MACEY: Sure. Anyone else have a question of Mr. Balch?

A That is something, Mr. Macey, that has been a headache in the gas gathering system in both high and low pressure gas gathering systems for a long time. It is just a headache. Lots of time drip gasoline is stolen from the drips and many times there is an explosion and a damage suit when they get -- They can sue you

if they are stealing stuff from your drip and get hurt off it, even if they knock a lock off to do it. We buy a lot of people that way. After you have been in the business for awhile it is more of a headache than the average man realizes. It is a nuisance in most cases. Now, some people get rich off what comes through the lines, but I know a lot of companies that don't. I think it needs a good deal of study. I would be glad to give any experience we have with it in our plants in New Mexico.

Mr. Macey, I might add, along your question in the San Juan area, we do gather the drip up there and dispose of it.

MR. MACEY: As a company?

A Yes. In Lea County we already have an agreement with Mr. George Erblocher to gather the drip gasoline there. All he is waiting on is whatever action the Commission might take on this. That is my understanding on that.

MR. MACEY: My only thought on the matter was to possibly be governed by what is done in some of these other States. I realize that it is nothing but a class A headache to the gas transportation companies, but we don't like to see the stuff burned, we like to see it picked up, and, at the same time, we like to have some accurate accounting of it.

A The way it is now, most of it is disposed of, but there is no accurate accounting.

MR. MACEY: Are you familiar with the method they follow in the State of Texas?

A No, I am not.

MR. MACEY: I would be very interested in knowing exactly what the Texas Railroad Commission does in regard to authorizing

the movement of incidental liquids. If possible, I would like someone, maybe we ought to do it ourselves, but I think someone that is familiar with it in the operation of their plant and their line, probably their viewpoint would be it might be an undue hardship to put the same thing in effect in New Mexico that are in Texas.

MR. GIRAND: Mr. Macey, I might state this, that the same requirements are more or less involved now in the reclamation plant. We haven't found them cumbersome or burdensome on the operators of those plants. We realize you are going to have to have someone that is capable of making intelligent reports to the Commission, and being financially able to maintain an office personnel that can do it. If you are going to properly handle the thing you can't have one truck operation. It is going to take office personnel as well as a truck driver. We would like to move that the matter be continued until the December hearing.

MR. STANLEY: Mr. Macey, I signed Form C-110's pertaining to Atlantic Refining Company that operates a plant in Dentonville, and the Gulf Oil Corporation which operates a plant in the vicinity of Eunice. Every month those two plants dispose of quite a bit of incoming oil. It may be that El Paso, Skelly, or any other plant does not receive the same appreciable amount of oil that these two plants receive. Nevertheless, I feel that if there is an appreciable amount of oil incoming to those plants that it should be sold.

MR. MACEY: You mean saved?

MR. STANLEY: Or saved.

MR. MACEY: I don't know whether I have said this before, but the question, Mr. Kitts just brought it up and reminded me of

the fact that the drip gasoline is an incidental product, incidental gas product, just like butane, propane or casinghead gas is. I am not too sure that if we get into the business of authorizing the movement of drip gasoline incidental to natural gas production, that we are going to end up authorizing movements of everything under the sun, which we don't want to do. There is a jurisdictional question involved in this thing, too. We have had a motion for continuance to December. Is there objection? If not we will continue the case to December and we will distribute both the rough copy of El Paso's suggestion and Mr. Girand's rough copy. We will continue the case, therefore, until the regular hearing in December.

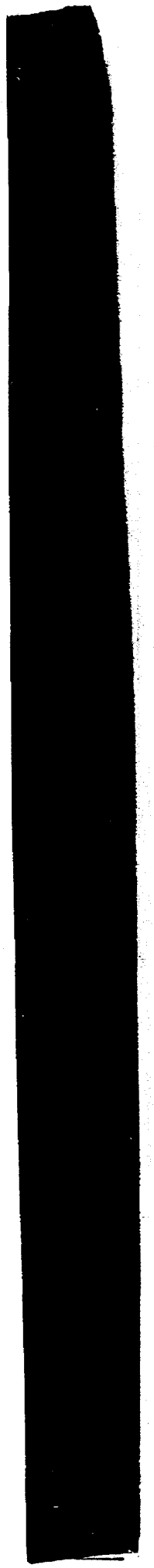
STATE OF NEW MEXICO)
: SS.
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 20th day of November, 1954.

Ada Dearnley
Notary Public, Court Reporter

My Commission Expires:
June 19, 1955



BEFORE THE

Oil Conservation Commission

SANTA FE, NEW MEXICO

January 13, 1955

IN THE MATTER OF:

CASE NO. 779 - Regular Hearing

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES

COURT REPORTERS

ROOMS 105, 106, 107 EL CORTEZ BUILDING

TELEPHONE 7-9546

ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
January 13, 1955

IN THE MATTER OF:

Application of the Commission upon its own motion for revision of Rule 312 of its Rules and Regulations to promulgate supplementary and additional rules governing the acquisition, transportation and sale of drip gasoline and trap oil.

Case No. 779

BEFORE:

Honorable John Simms, Jr.
Mr. E. S. (Johnny) Walker
Mr. William B. Macey

TRANSCRIPT OF HEARING

MR. MACEY: The next case on the docket is Case 779. Does anyone have any testimony to present in Case 779?

MR. AINSWORTH: I have a statement that I would like to read into the record at the appropriate time.

MR. MACEY: Mr. Girand, do you want to make a statement?

MR. GIRAND: I want to make one statement into the record. My name is W. D. Girand, Crude Oil Purchasing Corporation.

While we have submitted to the Commission a proposed rule or amendment to the rule covering the drip gasoline and scrubber oil, we did that as a service to the Commission. We want the record to be clear that we have no interest whatever in the rule. It does not apply to any of our operations, it is immaterial whether the Commission acts on it or does not act. We did what we did from the

standpoint of service to the Commission. We want the Commission to understand our position. Thank you.

MR. MACEY: Thank you. Mr. Howell, do you have a statement in this case, or do you have any testimony to give in the case?

MR. HOWELL: Ben Howell, El Paso Natural Gas Company. El Paso Natural Gas Company introduced testimony in this case at a previous hearing. We do not care at this time to introduce any additional testimony. We have prepared some suggested rules which, in general, are the same as suggested rules previously filed by the company. We have revised those in the interest of clarity and added one additional rule, which would require the owner of a gathering and transmission line, that gathers and transports liquid hydrocarbons recovered from drips or other collecting devices on said lines, to file with the Commission a monthly report on Form C-112 indicating therein stocks of liquid hydrocarbons on hand and deliveries to storers or refiners for the month.

We have a number of these copies and we will just offer these as the suggestion of the company, and anyone who wants copies, I think there are enough to go around. They will be available right here.

MR. MACEY: Mr. Ainsworth, do you have a statement?

MR. AINSWORTH: Do you want me to be sworn?

MR. WALKER: Are you going to give testimony or read a statement?

MR. MACEY: I don't think it is necessary.

MR. AINSWORTH: My name is Earl Ainsworth, Permian Basin Pipeline Company, Omaha, Nebraska.

In the development of this Case 779, there have been numerous

references to a certain contract between Permian Basin Pipeline Company and Mr. Joseph S. Newman of Hobbs, New Mexico. Up to this time, Permian has entered no appearance in this case; however, at this time, we would like to make a statement of a general nature in connection with the case.

There does exist a contract between Permian and Mr. Newman, dated June 24, 1954. The primary term of the agreement is for one year from last June 24th.

MR. MACEY: Mr. Ainsworth, they can't hear you in the back.

MR. AINSWORTH: We have already furnished this Commission with a photostatic copy of the contract with Mr. Newman, and, if I may, I should like at this time to introduce that contract, by reference, as a part of this record. Is that satisfactory?

MR. MACEY: That is quite all right.

MR. AINSWORTH: The contract that we have been talking about simply gives Mr. Newman the right to and imposes upon him the responsibility to remove liquid condensates from a number of pipeline "drips" on our Lea County gathering system. Under the agreement, Mr. Newman has full freedom and full responsibility as to the disposition of these condensates.

It is generally known, of course, that in the operation of gas-gathering pipelines, it becomes necessary to construct and connect "drips" at intervals along the line for the purpose of accumulating condensates that separate in liquid form from the natural gas passing through the lines in order to prevent the restriction of the flow of gas through the pipelines. The alternative to some such an arrangement as we have made with Mr. Newman is to blow these condensates into a pit and burn them. And that constitutes waste of

a usable product, although to the pipeline company it is a waste product and a nuisance.

All of the drips to which Mr. Newman has access are located downstream from well metering stations. Hence, all the condensates available to him have settled out of the natural gas stream after the gas has been metered. Therefore, the accounting to operators and royalty owners includes such volumes of gas that liquefy after passing through the meters and thereupon become the problem with which this case is concerned.

Permian Basin Pipeline Company has been operating in New Mexico just a little over a year now, and we have tried diligently to acquaint ourselves with the rules of this Commission and to abide by them. Of course, we shall abide by whatever reasonable rules the Commission might adopt as a result of these proceedings. We do, however, suggest to this Commission that the rules proposed by Famariss Oil and Refining Company in this case go far beyond the needs of this Commission, and would only lead to additional, unnecessary paper work with which we are all burdened enough already.

We respectfully suggest that if this Commission finds need for any rules governing the disposition of so-called "drip gasoline" that those simpler rules proposed by El Paso Natural Gas Company would be entirely adequate. That is the extent of my statement.

MR. MACEY: Thank you, Mr. Ainsworth. Does anyone have any testimony now to present in the case? Proceed with your testimony.

MR. KITTS: I would like to have Mr. Stanley sworn.

S. J. STANLEY,

called as a witness, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. KITTS:

Q Will you state your name and position, please?

A S. J. Stanley, Engineer for the New Mexico Oil Conservation Commission.

Q Where is your place of employment, Mr. Stanley?

A Hobbs, New Mexico.

Q You have testified many times before this Commission as a Petroleum Engineer, have you not?

A Yes, sir, I have.

Q Mr. Stanley, I believe you have made a study of the problem of drip gasoline or drip oil or distillate in the lines of Southeastern New Mexico?

A Yes, sir, I have.

Q Before proceeding with your testimony, you have a statement containing certain recommendations that you wish to make to the Commission?

A Yes, sir, I do.

Q Would you give that, please?

A I recommend that this Commission prevent the burning, evaporation and waste caused by seepage in open pits of hydrocarbon accumulation in gas transmission systems, or scrubber oil recovered at a gasoline plant.

Second, I recommend that the Commission institute controls governing the acquisition, transportation and disposition of crude oil or condensate accumulated in gas transmission systems or treating plants, commonly referred to as scrubber oil, and appropriately reported by use of Commission Form C-112 and C-110.

In conjunction with this recommendation it is further recommended that each owner or operator of a gas transmission system designate the transporter or transporters by means of Form C-110; that the transporter designated by the pipeline transmitter shall erect storage for the accumulation and accurate measurement of hydrocarbons, and shall report to the Commission on Form C-112, the exact amount of hydrocarbon recovered for each month of operation; and shall account for an accurate disposition of such hydrocarbons as deemed necessary by the Commission.

Q Is that your statement?

A Yes, sir.

Q In connection with your study, Mr. Stanley, have you prepared certain exhibits?

A Yes, sir, I have.

(Marked Commission's Exhibits 1 through 6 for identification.)

Q Would you go to Exhibit 1 and explain what that is?

A First of all I would like to divide my testimony into two parts. I would like to talk about low pressure gathering systems, or casinghead gasolines, whereby gas is recovered in a field by separation of that gas from oil.

Now, commonly in a field we have what is marked here as Exhibit Number 1, which is a low pressure separator, and we have many different innovations and different designs of separators. The modern separator is actually a horizontal separator. Nevertheless, the principle is the same. Whenever we speak of casinghead gas we usually refer to gas that is separated from the oil under relatively low pressure conditions. Usually a back pressure on a gas trans-

mission line will vary maybe as low as two pounds and it may be as high as 50 pounds. Nevertheless, in this exhibit we have what we call an inlet flow diverter, in which oil and gas enter this particular vessel together and gas being much lighter than a fluid, will naturally go to the top of this particular vessel. When it does, we usually have a connection on the particular vent line in which gas is going and at that particular connection we find that a gas transmitter will connect to the vent line and at that particular point take this casinghead gas.

We also have on this separator a device called an oil outlet valve. We also have what is called a back-pressure gas control valve. Actually these two valves operate on the same principle.

In this particular exhibit I would like to show this Commission why we do have a hydrocarbon accumulation, usually crude oil, in a low-pressure gas line.

We know that the accumulation of hydrocarbon varies seasonally; that we receive a more accumulation of hydrocarbons in a gas transmission line in the winter time than we do in the summer time. There is a particular reason for this. First of all the oil outlet valve is subjected to corrosion, it is subjected to calcium sulphate deposition or calcium carbonate deposition, and occasionally we find in a field that the oil outlet valve may actually freeze, due to the fact that water and oil may pass from the separator into the treating system through this particular valve. We find that whenever this valve freezes that it can freeze either in an open position which would allow the gas and all the fluids to pass into the stock tanks, or into the treating system, or it could freeze in a closed position. When it freezes in a closed position we fil

our vessel completely full with fluids, that could be water and oil, and at that time, whenever this vessel is filled full of fluids, they actually pass into a gas transmission system.

I would like at this particular time to present one of these valves. I would like to show this Commission what we call a back-pressure valve, and by the same principle, what we call an oil-dump valve. They work on the same principle. I obtained this particular valve, due to the fact it was inoperative, that is, it would not hold any back-pressure, and by the same principle a dump valve working. I would like to show the Commission the corrosion, the deposition that occurs in this particular valve and in its setting position, why this particular valve would leak.

Q We have designated that as Exhibit 3?

A Yes.

MR. KITTS: We request permission to withdraw that Exhibit.

A We have other adaptations of valves that the operators are using in the field, and we have noticed especially in the Monument Pool that operators have installed a different type of a valve, which is a modern version of this valve, and I would like to show the Commission this particular valve. It actually has a ceramic body inside the valve, whereby there will not be deposited sulphate or carbonate deposition, and this valve is also equipped with a clamper and no ring device. It can't be replaced when it is worn out.

Secondly, many operators in the Monument Pools themselves have installed that same device between the gas transmission connection and the separator, to insure that they will continuously have a back-pressure on the separator, and thereby causing the fluids to

enter the stock tanks.

Q Will you explain very briefly, Mr. Stanley, the workings and purpose of a back-pressure valve, for the record?

A This particular separator requires, or any separator in the field requires a certain amount of pressure to overcome hydrostatic head and friction, in order for any hydrocarbon to move in this particular separator to a stock tank or a treating system. We usually find that the stock tanks are much higher elevation and actually are higher than the separator, causing this particular separator to dump its fluids only at a certain pressure, due to the fact that we have a higher hydrostatic head to overcome, and also friction. Naturally we saw in the field, or observed in the field, the operators have gone through quite a bit of expense in order to use another device or back-pressure valve which is installed between the gas transmission connection and the separator. In many cases, however, an operaotr will use the back-pressure device on what is called a meter loop.

Q You are now referring to what has been marked as Exhibit 2, are you not?

A Yes.

Q That is a photograph taken by you?

A Yes, sir, I took that photograph. In this particular device where an operator does not have a back-pressure valve as referred to previously, they utilize the pressure on this particular valve which belongs to the gas transmitter, to maintain a certain pressure on the separator.

I would like to mention the fact that this valve itself is subject to corrosion. It can mechanically fail, and when it does, we may

expose the pressure of this particular separator at such a low point that it can not dump these fluids, either to a treating system or into a stock tank. Therefore, we could have double failure, the sticking of the oil outlet valve, or mechanical failure in a back-pressure valve on the meter loop. Anytime we have these failures and the pressure is insufficient to dump the fluid, naturally these fluids will pass into the gas transmission line. I would like to show the Commission some samples that we have collected from low-pressure gas lines throughout Southeastern New Mexico.

(Marked Commission's Exhibits 7 through 25, for identification.)

Q I believe those are marked Exhibits 7 through 12?

A This particular Exhibit is from El Paso Natural Gas Company, Exhibit Number 11, from their Plant Number 2 in Section 24, Township 24 South, Range 37 East. The gravity of this particular product is 28 degrees, at 60 degrees fahrenheit.

Q Was that collected from a drip?

A Yes, sir, at the time that we collected this sample, El Paso Natural Gas Company had installed automatic drips throughout their system, and we obtained this sample directly from an automatic drip that was emptying this product into an open pit.

We have here, Exhibit Number 12. It also came from a 30 inch line, coming into what is called their Plant Number 2. It has a gravity of 28 at 60 degrees fahrenheit.

We have here what is marked Exhibit Number 10. We obtained this particular sample from Warren Gasoline Plant in Monument. We obtained this product from the scrubber system. It has a gravity of 28 at 60 degrees fahrenheit.

We also have some additional samples on El Paso's lines. This particular exhibit marked Number 9 has a gravity of 28 at 66 degrees fahrenheit.

Q That was, likewise, collected from a drip, was it?

A Yes, sir. We have here what is marked Exhibit Number 8, the Gulf Gasoline Plant in Eunice, New Mexico. We obtained this sample from a scrubber system in the particular plant, and it has a gravity of 30 degrees at 67 degrees fahrenheit.

We also have what is marked Exhibit Number 7. This was also picked up from El Paso Natural Gas Company lines, and a feeder line going into Plant Number 2, Section 34, Township 24 South, Range 37 East. It has a gravity of 30 at 64 degrees fahrenheit.

The reason that I am showing these samples is the fact that I would like to show to the Commission that the hydrocarbon accumulations in a low-pressure gas line, we believe, are mainly crude oil. This particular oil is indicative of the Langley-Mattix oil or the Monument Pool oil.

Q Mr. Stanley, were all these exhibits, were they collected by you or under your direction?

A They were collected under my supervision, on December 10, 1954, which was just a few days ago. We had a very fortunate thing happen in Southeast New Mexico, we actually received a snowfall.

Q January 10th?

A I mean January, excuse me. We knew at that particular time, with the temperatures being low, we know that these mechanical difficulties during the cold spell are encountered, as previously mentioned, and usually in Southeastern New Mexico at that particular time, whenever it is cold, we notice that we have very many fires

in the area. I actually had taken photographs that particular day and we followed one of the operators who had unloaded his hydrocarbon accumulation into pits and was going down the line setting them a-fire.

Q Those are Exhibits 5 and 6, so marked?

A Yes, sir. We had noticed that morning as he had driven down, we had seven or eight fires throughout the area, throughout the Monument area. They may not have all been hydrocarbon accumulation in the low gathering systems; perhaps some of the fires may have been due to tank bottoms. Nevertheless, I would like to present these photographs, which actually is a pit of oil that is being burned, that was blown out from low-pressure gathering systems and set a-fire a safe distance from the gas transmission line.

Q Were both pictures of the same fire?

A Yes, one is a close-up and the other is some distance away. The reason I bring up these photographs is, I would like to see this particular hydrocarbon saved. I know it can be arranged for a truck to actually pick it up and not be burned. I believe that the product itself can be saved and should be saved.

Q You are convinced that that is crude oil, are you?

A Yes, sir, I am.

Q Mr. Stanley, this oil you say that passes into the transmission lines, would that be metered in the fluid state?

A No, this particular metering device measures gas and does not measure any fluid that passes through that meter.

Q You believe that it passed the meter in fluid state?

A Yes, sir.

Q You spoke of cold weather, Mr. Stanley. Let us say that the

valves worked properly in the separator. Would you expect to find any oil passing through those lines, barring some mechanical stoppage or failure?

A No, sir, I believe that usually whenever every particular device, the back-pressure valve, the oil outlet valves are working properly, they should theoretically separate the oil and gas, allow the oil to pass into the stock tanks and the casinghead gas to go down the transmission system.

I would like to present the second part of my testimony which is relative to the high pressure gas system. I would like to show the Commission why we actually get an oil accumulation under high pressure conditions. First of all, I have here what is marked Exhibit 14. It is a contour map on the top of the Yates formation in Southeastern New Mexico. Actually this exhibit has been introduced to the Commission prior to this time on many cases.

The top of the Yates reflects some of the formations, some of the lower formations through the Queen, I believe, and that is generally understood by the oil industry. The reason that I present this particular exhibit is the fact that we have a very interesting operational problem west of Monument, or west of the oil center. Actually we have in the Eumont Pool a gas producing horizon which is commonly referred to as the Penrose sand in the Queens section. We find as this Penrose sand dips to the west and gets structurally lower, that we have an oil ring surrounding the Eumont Pool. This oil ring not only occurs in a western position of the Eumont Pool, but also to the north, and we believe it may to the east. We know that it occurs to the south. We found that an operator drilling a gas well in a structural position, usually at around minus 150 sub-

sea, can actually, instead of completing a gas well, complete an oil well. We have a fringe in this particular area, whereby we have had certain gas wells which initially potentialled for approximately 4,000,000 cubic feet a day, where actually in time it converted to oil and in one case with as low a ratio as 3,000 to one.

We find here that many times the operator himself does not realize that he is continuously producing a spray of oil. Naturally we feel that many of these particular wells do produce a spray of oil on the west side of the Monument Pool or the west side of the Eumont Pool, whichever the case may be. And, actually crude oil enters the gas transmission system or a high pressure gas system whenever we are devoid of a high pressure separator installation.

I would like to call the Commission's attention to many synclinal lows that we have in the Yates formation. The well known Falby Yates case whereby in the Yates section itself, we do have an accumulation of oil and as you go up structure you finally get into the main gas pool, which is called the Jalmat Pool. We do know that there is a transition zone and when you pass from the oil wells to the gas wells in this particular case, that some of these particular wells produce a spray of oil. Since we do not have high pressure separation, at that particular time, we can't expect crude oil to enter a high pressure system. I would like to call the Commission's attention to many synclinal lows that we have. Generally they are concentrated in the Jal area where the Yates section has an accumulation of oil. Therefore, we feel that in a high pressure gas system we have a combination of two products. We can have condensate, we can have crude oil. I would like to show the Commission some samples, whereby the two products are actually com-

bined.

We have what is marked here Exhibit 15, 15A, 15B, and we also have what is marked Exhibit 13. These particular maps are gas transmission companies maps showing low pressure gathering systems and high pressure gathering systems. The reason that I would like to refer to this particular exhibit, Exhibit Number 13, which is Permian Basin Pipeline's map, I would like to present this particular map and show why in some cases we may have condensate and then up the line as we approach their plant, which is located on the Carlsbad-Hobbs Highway, why we then have a change in product instead of having a light product condensate which is generally collected in the Blinebry and Tubb, that these particular samples are discolored due to the fact that we have an entrance of oil from the west side of the Eumont Pool.

At this particular time I would like to present some samples collected from the various high pressure gas systems.

Q These maps were not prepared by you, but you are satisfied as to their accuracy?

A Yes, sir.

Q Exhibits 13 through 15B?

A Yes, sir. I think these maps were actually made by El Paso Natural Gas Company. We asked El Paso for copies of these particular maps. We also obtained this map from Permian. They were prepared by the companies, I assume. This is Exhibit Number 16 and 17. These two exhibits were collected from Permian Basin Pipeline Company. Both exhibits were collected in Section 11, Township 22 South, Range 37 East. Exhibit Number 16 was collected from a 12-inch line and Exhibit Number 17 was collected from a 4-inch line.

I believe that both of these exhibits reflect condensate, both having a gravity above 70 degrees, at 50 degrees fahrenheit.

Q Mr. Stanley, would you expect the condensate to pass through the meter in a gaseous state?

A It could be possible that it passes through the meter in a gaseous state and is metered due to the physical properties of condensates, perhaps due to a lowering of temperature this product registers in the line.

Q And, therefore, probably registers in the meter?

A They have probably been registered as gas. I would like to talk a little more about these samples, their clearness and why they are clear. These samples, as I previously said, were collected in Section 11, Township 22 South, Range 37 East. Actually if you refer back to a map, or in any pool map, we find that these samples were collected within a short distance from certain wells in the Blinebry and Tubb Pool. Actually I believe that these samples on one drip may have been collected from condensate formed in the line caused by Ohio Worthman's Lease; Magnolia Long; Roland Elliott B-13 Number 1; Gulf Oil Corporation Dan Grade, or the Penrose Linton Number 5. All of these wells are in the Blinebry and Tubb, and it is known that the Blinebry and Tubb is a combination condensate and could be an oil reservoir, as referred to in our previous hearings in the Blinebry case. But, as we move up the line we get a different type of a sample. We get a mixture of crude oil and condensate, and I would like to read the description of these various samples into the record.

This particular sample was collected out of Mr. George Bloucher's tanks, Exhibit Number 18, at the El Paso Natural Gas Company Plant

One. It has a gravity of 46 at 56 degrees fahrenheit. Actually this sample is a combination of a product that he had mixed in his tanks, mixing a higher gravity product with a low gravity crude.

This particular sample marked Exhibit 19 is also out of Mr. Bloucher's tanks at the El Paso Natural Gasoline Plant. It has a gravity of 42, 48 degrees fahrenheit. Now we move up the line. As previously mentioned, this particular sample marked Exhibit Number 20 has been caught from Permian Basin Pipeline Company, Section 34, Township 21 South, Range 36 East. It has a gravity of 65 at 51 degrees fahrenheit.

Q Was that collected from a drip?

A Yes, sir, from a high pressure drip. This particular sample marked Exhibit 23 was collected in Section 28, Township 20 South, Range 37 East. It has a gravity of 62 degrees at 50 degrees fahrenheit.

Q That likewise was collected from --

A (Interrupting) From the Permian Basin Pipeline high pressure line. Here is a sample marked Exhibit 22. We collected this particular sample from a Newman tank battery located in Section 11, Township 22 South, Range 37 East. It has a gravity of 69 at 50 degrees fahrenheit.

As we move further north we have what is marked Exhibit Number 21, taken from Permian Basin Pipeline Company in Section 6, Township 20 South, Range 37 East. It has a gravity of 52 degrees at 49 degrees fahrenheit. The sample was collected from a drip on a 16-inch line.

We usually found in the collection of these samples, that as we proceeded northward to their gasoline plant located on Hobbs-

Carlsbad Highway, that we had a lowering of gravity and we attribute this fact to the crude oil that is entering the line in the west part of the Eumont Pool.

Here are some more samples, marked Exhibit 25. This was taken from Permian Basin Pipeline in Section 33, Township 19 South, Range 37 East. This particular sample has a gravity of 49 at 49 degrees fahrenheit. We collected this sample from a 24-inch line. We have what is marked as Exhibit Number 24, another sample collected from George Bloucher's tanks at El Paso Natural Gasoline Plant, Plant No. 4. It has a gravity of 70 degrees at 54 degrees fahrenheit.

Q Mr. Stanley, would you expect these samples here, the contents of these bottles, would you expect those to register on the gas meter, would you expect them to go through in a liquid state or a gaseous state, or could you make any generalization on that?

A I can make some generalizations. I don't know whether they would pass in a gaseous state. I feel reasonably sure whenever you are producing condensate they could pass in a gaseous state, but I am convinced that some of the crude oil produced in the synclinal lows and on the west side of the Eumont Pool actually may pass a meter under a liquid state and not be recorded.

Q In other words, some of these samples of too low gravity, you feel that some of that may have passed through in a liquid state?

A I feel that could actually be a combination of both condensates and crude oil, and we obtained a mixed sample.

Q And, therefore, would not register on the meter?

A That is correct.

MR. KITTS: That is all.

MR. MACEY: Are there any questions of the witness? Mr. Howell?

CROSS EXAMINATION

By MR. HOWELL:

MR. HOWELL: Ben Howell, El Paso Natural Gas Company.

Q Mr. Stanley, is it a fair summary of the testimony to say that the separators near the wells when working properly do separate the liquids and permit only the gas to go into the line?

A Yes, sir, I believe that is generally the case.

Q The separators which are used in the field there are generally of the type and characteristics that are conventional and customary in the industry, are they not?

A Yes, sir, they are.

Q The occasions which result in oil passing through usually result from some condition such as weather or a mechanical breakdown?

A I believe so, yes, sir.

Q In the operation of the industry, generally it is just impossible to control the weather, isn't it?

A Yes, sir, it is.

Q Unfortunately, we can't always control mechanical breakdowns either?

A That is correct.

Q As a result, we do have things beyond the control of the operator, the operators of the wells that permit oil to enter the gas pipelines?

A Yes, sir, that is correct. Of course, we can have, one operator may beprudent in his operation and may be a little more

efficient, others are not. I do believe that is generally correct.

Q Then gas having entered, or the gas and liquids having entered the lines, it then is necessary in the proper operation of the line, to install some sort of drips to remove the liquids from the gas pipeline?

A That is correct.

Q And that is done generally throughout the field there?

A Yes, sir, however, we have found that different operators, some choose to push the product whenever they have overly much pressure to the plant, and others may have such a low pressure that they could actually get a fluid block in the transmission line and at that particular point they would necessarily have to remove any accumulation they have for their operation.

Q In many of the plants there is a scrubber device of some character, that takes the oil out before the gas enters the plant for processing?

A Yes, my understanding is that it is an obnoxious product that must be removed.

Q Also, there is the difficulty that where a number of wells are attached to any particular gathering line, that it is almost impossible to determine the origin of any particular oil that might have slipped through?

A Yes, sir, that could be very possible.

Q And there would also be instances, would there not, where it would be uneconomical to attempt to pick up crude oil at certain locations on the gathering system?

A That could be very possible, due, probably, to the position of the drip and small accumulation of hydrocarbons.

Q Also, it is a little bit difficult to forecast when there is going to be a mechanical breakdown or excess accumulation, isn't it?

A That is correct.

Q Would you say that it would be possible when liquids pass through the customary meter, that they do cause the meter to register a larger amount of gas than actually passed through?

A Well, I don't exactly know, or have not studied the effect of the meter and its measurement at the time that the fluid is passing through that meter. I do know that meter was designed to measure gas and gas only.

Q That is, the meter doesn't measure liquid as such. You wouldn't say that the meter when liquids pass through, might not show more gas than actually passed through?

A It could be possible. I do not know what effect fluid would have on that particular meter.

Q Would you not think it advisable that the limitation on the gathering and marketing adopted by the Commission be primarily, and certainly at this time, one of reporting the quantities that have been accumulated at the various points at which liquids drop out?

A That is correct, we try to check our records and there actually is no accounting, you might say of an accurate nature, at the present time. That is the only recommendation that I made so that this Commission could really understand how much of this is involved, how much of the product is involved and at a later time, after we study further, if it is deemed necessary to formulate more rules, I think the Commission should consider the case again. My recommendation at this time, this particular time my recommend-

ation for an accurate reporting to see how much of the product is involved.

Q Whatever system of reporting is adopted should be one that is reasonable, considering the characteristics of drips all over the field?

A Yes, sir, I think it should be very reasonable, and I would say that the minimum reporting, in order not to cause a burden on people collecting the product or the gas transmission company.

MR. HOWELL: Thank you.

A I would like to read, at this particular time, into the record -- I will give you the sheet of paper. This is copied from the Texas Railroad Commission, Section 2, Page 10. I do not advocate its adoption by this Commission at this particular time, however, I would like to read it to show that another State was very much concerned with so-called scrubber oil, and they adopted rules in the State of Texas for its primary control. It reads as follows:

"WHEREAS, In the operation of casinghead natural gasoline plants there is necessarily some small amount of crude oil which is carried over into the gas lines from the operation of separators and is known as scrubber oil, which collects in drips installed in the low points of the gathering lines and also in the scrubbers at the plants; and,

WHEREAS, Some question has been raised as to the amount of this scrubber oil which might properly be cleared on tenders; that is, as to what the proper amount is that might be legitimately collected in such operations; and,

WHEREAS, On January 17, 1936, after notice as required by

law had been given, a hearing was held in the Commission's Hearing Room at Austin, Texas, at which hearing evidence was introduced and from which evidence the Commission finds that no more than .75 of a barrel of scrubber oil per well per month can be legitimately recovered from such operation:

THEREFORE, BE IT ORDERED by the Railroad Commission of Texas, that in the interest of conservation of crude oil and natural gas in the State of Texas, that all scrubber oil accumulated in the operation of casinghead natural gasoline plants may be cleared on tenders but in no event to exceed in amount to .75 of a barrel of scrubber oil per well per month."

I believe the balance refers to tenders and its movement. I won't read it, in order to save time. However, I would like to make the statement that I am not recommending the adoption of such a rule at the present time.

MR. MACEY: Anyone have any questions of the witness? Go ahead, Mr. Kitts.

RE-DIRECT EXAMINATION

By MR. KITTS:

Q Mr. Stanley, in your experience, is this accumulation of these drips, are these isolated occurrences, or does it happen quite frequently?

A It happens more frequently in the wintertime than the summer. I think if we had an accurate reporting system, we could plat a graph where we could show we have had a heavier condensation or a greater amount of accumulation in the winter than in the summer.

Q But, it probably amounts to many barrels, does it not?

A Yes, sir, it does. The reason that I say that it does is

because we have reviewed some of Form C-110 which entitles certain operators to movement of this particular product. One case we have --

Q (Interrupting) You are talking of crude oil?

A We are talking about all the products. We have known that the Famariss Refining Company had C-110 for approximately 10,000 barrels, I believe I am correct, for the month of January. I believe that Mr. Newman had requested somewhere between five or eight thousand, I don't know the actual figures. What Mr. Newman had requested in his movement I do not remember, but it is probably in the hundreds of barrels. Actually what is being burned, that could be added to it, so that if you added the total product, I would say there was considerable product being involved.

Q You feel that a good deal of crude is being burned in the fashion illustrated in Exhibits 5 and 6?

A Yes, sir, and I do feel that the operators of this particular gas transmission company state that they would be willing to save that particular product if the Commission would inaugurate some rules for the prevention of it being burned.

Q On cross examination, Mr. Stanley, Mr. Howell asked you a question and you admitted that quite possibly liquids passing through a gas meter would have some effect on the meter, is that correct?

A It would have some effect, but I don't know what effect it would have.

Q You wouldn't expect that type of meter to give an accurate reflection of the amount of liquids that pass through, would you?

A No, sir, I don't believe that anyone could read that meter and state the number of barrels of fluid that is passing through it

at that particular time.

Q You also agree that there is no question here of fault or blame in having this crude oil in drips? It usually occurs from mechanical failures, it is no one's fault?

A That is correct.

Q But, what you are interested in is seeing that particularly the low gravity oil is not wasted or is disposed of in some orderly manner, is that correct? A That is correct.

MR. KITTS: That is all the questions I have. I didn't offer my exhibits in evidence, and I would like to offer in evidence, Exhibits 1 through 25 inclusive, and request permission to withdraw Exhibits 3 and 4.

MR. MACEY: Is there objection to the introduction of these Exhibits? If not the Exhibits will be received.

MR. JOHNSON: Theodore R. Johnson, representing Newman Gas Service.

RE-CROSS EXAMINATION

By MR. JOHNSON:

Q Mr. Stanley, the separators and valves where you would ordinarily have mechanical failure, is that under the control of the operator of the gasoline facilities?

A Not in all cases. All the valves in Exhibit Number 1, which show a separator are under the control of an oil producer, or oil operator. However, in the absence of a back pressure valve, which is installed between the pipeline connection and the separator, that actually the oil operator resorts to a back pressure on this separator from the back pressure valve on the meter loop. This particular valve is under the operation of the gas transmission company, re-

ferring to Exhibit 2.

Q Do they always have those back pressure valves between the well and the main line?

A Yes, sir, we may have, as you understand, we may have a multiple of back pressure valves. Some operators have deemed it necessary to install the back pressure valve and not rely entirely on one valve which is installed on the meter loop, as marked on Exhibit 2. They would like to have their own back pressure valve and check it themselves.

Q But, in an incident of that kind would be where the producing lessee or the producer would be relying upon the use of the valve which the operator of the pipeline --

A (Interrupting) It would be very possible. Understand, Mr. Johnson, that in this particular exhibit, Exhibit Number 1, we do actually show back pressure valves here, and all vent-lines do have a back pressure valve on the end of the vent-line. There is a reason for that. Whenever due to mechanical difficulties marked in Exhibit 2, a gas transmitter not wanting the gas, and under emergency, could actually close the particular valve marked on Exhibit 2. When that valve is closed, the operator must resort to his own back pressure valve, which is not actually in use in this particular exhibit until such time as that valve is closed. This particular back pressure valve becomes operative and the gas is flared to the atmosphere, but in the meantime it does hold a back pressure on the separator for his operational problems and the dumping of that fluid into the stock pens.

Q In an incident of that kind, that would be under the operation and control of the producing lessee?

A Yes, sir.

Q Does that particular separator that you have shown there on your Exhibit Number 1, I believe, is that a low pressure or a high pressure separator?

A That is a low pressure separator.

Q Low pressure. The order from which you read, which was passed and adopted by the Railroad Commission of the State of Texas, did it apply to low pressure lines or high pressure lines?

A That particular order refers, I believe, to low pressure lines.

MR. JOHNSON: No further questions.

MR. MACEY: Any other questions of the witness?.... You mentioned the fact that there was a possibility of considerable volume of oil being produced by gas wells. I believe you referred generally to the Eumont area where the wells producing dry gas might produce a spray of oil. Are most of those wells connected directly into the transmission system without benefit of separation equipment.

A Yes, they are.

MR. MACEY: They have no way of knowing whether the well is making a spray of oil or --

A No, it would take them considerable time to find that out.

Q Do you have any recommendation as to what the Commission should do to require the operators to check that?

A No, sir, I do not. I haven't studied it well enough to make a recommendation.

MR. MACEY: Anyone else?

MR. JOHNSON: Mr. Johnson representing Newman Gas Service. I have one other question.

By MR. JOHNSON:

Q Did the Permian Gas line, is that a low pressure line or a high pressure line?

A It is considered a high pressure, usually five hundred to five hundred fifty pounds. In fact, Permian Basin Pipeline does not have, at least I do not know of any low pressure lines in Southeastern New Mexico.

Q Would you say that the testimony which you gave, which was applicable to low pressure lines would apply to high pressure lines?

A To a certain extent it would. The problem is related. I feel there is one difference between a high pressure line and a low pressure line. I think that in a low pressure line, generally we accumulate crude oil at a greater percentage of crude oil, but in a high pressure line we could have a combination of two products, condensate and crude oil.

RE-DIRECT EXAMINATION

By MR. KITTS:

Q That is what was shown by Exhibits 18 through 25?

A Yes, sir.

Q High pressure accumulation?

A Yes, sir.

MR. MACEY: Does anyone have any further questions of the witness? If not the witness may be excused.

(Witness excused.)

MR. MACEY: Does anyone have anything further in this case? Mr. Porter?

MR. PORTER: I have a question to ask Mr. Howell relative to his recommendation of El Paso. This is merely a clarification

on my part, Mr. Howell. I refer to Paragraph C of your recommendation, which refers to the owners gathering and transporting its own products. In that I notice that the only form that you have recommended be filed is a C-112. The other cases recommended the C-110 be filed.

MR. HOWELL: That is correct.

MR. PORTER: In other words you don't deem it necessary for an owner to file a C-110 authorizing the transportation of this product?

MR. HOWELL: That is our intention.

MR. PORTER: Another thing, in Paragraph A, I believe your Paragraph A refers strictly to the recovery of these products, the gathering and recovery, and in Paragraph B you refer to the transportation, is that right?

MR. HOWELL: That is correct.

MR. PORTER: In each case the C-110 would be executed by the owner of the transmission facilities, designating a transporter?

MR. HOWELL: Correct.

MR. PORTER: As I understand this recommendation, before that C-110 could be approved, the proposed or designated transporter would have to be, would have to have a permit from the Commission to transport the product?

MR. HOWELL: Perhaps I could amplify our thinking a bit on this rather than answer your question directly yes or no. We had contemplated under the Rule A, the necessity for any person who was going out to drips belonging to someone else to obtain a permit before he was authorized to go out to those drips and pick it up. We would require that person to obtain from the Commission a

permit and establish that that person was in that legitimate business of going out and picking this up. That is to stop, to some degree, at least, the stealing from drips, because a person then would not be authorized to take from a drip unless he had obtained this permit. We would use the Form C-110 in that instance, as evidence of the authority given that person by the owner of the pipeline facilities to go out on the line and do that.

Our Rule B is generally intended to cover the situation of transporting after it has either been gathered by the pipeline company or by the individual himself. We would not require the permit in advance, but the filing of the Form C-110 under those conditions. That is, it has already been gathered. In the third instance, while the pipeline company is the owner of the products merely files the report showing the disposition that has been made. Perhaps that reflects our thinking, the reason behind our distinguishing the three different types of operations.

MR. PORTER: Yes, I believe I understand. That is all I have.

MR. MACEY: Mr. Howell, maybe I am a little dense, but do I understand that you -- Let's suppose El Paso Natural decides to market the crude oil that collects in some of their drips. Do you propose to furnish the Commission with a C-110 in order to be authorized to transport that crude oil?

MR. HOWELL: No, under this we would propose to furnish them with a C-112 showing that report after the sale rather than prior to.

MR. MACEY: You think a pipeline company or refinery would accept that crude oil without a C-110?

MR. HOWELL: Our thinking is that the liquids which have been accumulated have been produced legally, passed through the meters and are owned by the company in the same situation really as products that are taken out of the gas itself. That is, that it is incidental thereto.

MR. MACEY: Mr. Porter, do you think they would take the crude oil from El Paso?

MR. PORTER: I doubt it. However, I think that I understand Mr. Howell's position. In other words, as the owner, they would be designating a transporter and they would just be designating themselves as the transporter. Of course, I, myself, think that C-110 should be filed, even one of that nature, because when it is approved by a Commission representative they become the authorized transporter.

MR. MACEY: Mr. Newman?

MR. NEWMAN: Would they have to be filed monthly or one blanket coverage for the entire length of the contract from Permian? How would you file those?

MR. PORTER: It is my thinking, Mr. Newman, that a C-110 once filed and approved by the Commission, would be good until, as long as that transporter, that owner is in business.

MR. NEWMAN: Just so long as the Commission has a copy of the contract showing that I am the owner of it and can collect it, one copy would cover it only, the entire operation?

MR. PORTER: It is my opinion that only one C-110 is necessary. I would hesitate to recommend anything else for the reason that it is hard to anticipate in advance the amount of the product which is to be transported during any particular month. After all, the

volumes that are transported are accounted for on Form C-112 at the end of the month.

MR. MACEY: Does anyone have anything further in this case? If not we will take the case under advisement.

STATE OF NEW MEXICO)
: ss.
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 19th day of January, 1955.

Ada Dearnley
Notary Public, Court Reporter

My Commission Expires:
June 19, 1955

BEFORE THE

Oil Conservation Commission

SANTA FE, NEW MEXICO

Hobbs, New Mexico

October 20, 1954

IN THE MATTER OF:

CASE NO. 779 - Regular Hearing

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES

COURT REPORTERS

ROOMS 105, 106, 107 EL CORTEZ BUILDING

TELEPHONE 7-9546

ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Hobbs, New Mexico
October 20, 1954

IN THE MATTER OF:

The application of the Oil Conservation Commission for regulation relating to drip gasoline.

Applicant, in the above-styled cause, seeks revision of Rule 312 of its Rules and Regulations to promulgate supplementary and additional rules governing the acquisition, transportation and sale of drip gasoline and trap oil.

Case No. 779

BEFORE:
Honorable Edwin L. Mechem
Mr. E. S. (Johnny) Walker
Mr. William B. Macey

TRANSCRIPT OF HEARING

MR. MACEY: The next case on the docket is Case 779. In Case 779 the Commission called the case upon its own motion, because of a number of problems which have arisen with reference to to the handling of so-called drip gasoline. I might point out we don't even have a definition of drip gasoline, but I think you all know what I am talking about. We have, under the existing Rule 312, some provisions for the handling of pit oil and scrubber oil and creek oil and so forth, but no where in our rules do we have any provision whatsoever on the handling of drip gasoline. I think Mr. Porter, if he is still here, can probably outline the problems that we have run up against, and what we have done so far in the absence of rules. Pete, I would appreciate it if you would come up here and tell them all about it.

MR. PORTER: As Mr. Macey has said, this is a fairly recent problem. We were first confronted with it in the early part of the summer. That is when we were approached by a prospective transporter of drip gasoline as to the procedure that we would use in handling this transportation. In the absence of rules, specifically covering this, I discussed the matter with Mr. Macey and Mr. Spurrier, at that time, and it was agreed that in order to get this thing kicked off to making some usable disposition of the drip gasoline, that we would authorize the transportation by the use of Commission Form C-110 .. That plan we have followed. Thus far we have had only one transporter, that being the Newman Gas Company, and he is, at the present, transporting the drip to two different destinations,one being the Famariss Refinery at Monument, and the other to central storage in the south end of the county where it is being picked up by Wiekert Refinery of Wiekert, Texas, at the beginning of each month,and as of the tenth thereafter, as needed, the applicant files a C-110 requesting authority to transport so many barrels of drip gasoline. That we approve, and at the end of the month, or by the 15th of the following month, he files Form C-112, which is the Commission's Transporters and Storer's report form, showing the origin of the drip, and also its disposition.

From the last part of June through the month of September we had authorized a movement of, I believe, 3,200 barrels of drip gasoline in such a manner as we have described, and up through the last of September they had transported 2,211 barrels. Of course, we expect quite an increase in the movement of drip gasoline during the winter months and we are in this hearing inviting any

who may to come before the Commission and propose such rules as they think will adequately handle this situation. At the present time I have no recommendations.

MR. MACEY: I might make the comment that I have been confronted with El Paso Natural Gas Company and also Permian Basin Pipeline Company, and I have informed both of them that in my opinion the only equitable way to handle the case would be to continue it until next month, to give everyone a chance to think the thing over. We have to get the thing rolling because there is a very serious question in my mind as to whether or not we have not already authorized a movement of the drip gasoline when we authorized the movement of natural gas, because the natural gas includes the liquids when we authorize it to be moved. I am strictly throwing that in the hopper for your consideration. I don't know whether Mr. Yost agrees with me or not on that. Anyway, Mr. Girand representing Famariss Oil and Refining Company who are one of the proponents of the original rule that we came up with, Rule 312, they are slightly interested in the case and he has submitted to us some proposed forms and rules to be used in connection with this particular rule. We can produce the suggested forms and the suggested rules and mail them to you with the docket for next month if you so desire. I have not had an opportunity to examine it and I know Mr. Porter has seen the forms. I don't know what you think about them, whether they are adequate or whether they are too much, but in any event, if we feel that it is feasible we will distribute this form prior to the hearing next month. Mr. Girand, do you have any comment that you might want to make in the case?

MR. GIRAND: In line with the decision of the Commission

to continue the matter until next month or next hearing date, I would rather wait until that time to put on whatever proof of our proposed order, and the appropriate forms to accompany it.

MR. MACEY: I might point out that we might not be able to get this printed up and mailed in the docket, but we would have them available at the hearing for examination. If we can get them out in the mail we will do it. It forms a little bit different situation.

MR. PORTER: I saw the forms just briefly, a few moments ago, and it would be my position that this case should be continued until November, because I would like to have a look at both the forms and the proposed rules.

MR. MACEY: You might have some recommendations to make?

MR. PORTER: I might.

MR. MACEY: In view of the request we have -- I have more or less indicated to El Paso and Permian that we were going to continue the case until next month. Unless there is an objection we will continue the case to November 17th. If not, in the absence of objection we will go ahead and continue the case until the 17th, that is Case 779 and continue on to the next case.

STATE OF NEW MEXICO)
: SS.
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Hobbs, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 6th day of November, 1954.

My Commission Expires:
June 19, 1955

Ada Dearnley
Notary Public, Court Reporter

ADA DEARNLEY & ASSOCIATES
STENOTYPE REPORTERS
ALBUQUERQUE, NEW MEXICO
TELEPHONE 3-6691

BEFORE THE

Oil Conservation Commission

SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 779

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES
COURT REPORTERS
ROOMS 105, 106, 107 EL CORTEZ BUILDING
TELEPHONE 7-9546
ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
December 16, 1954

Application of the Commission upon its own motion for revision of Rule 312 of its Rules and Regulations to promulgate supplementary and additional rules governing the acquisition, transportation and sale of drip gasoline and trap oil.	No. 779

BEFORE:

MR. E. C. (Johnny) WALKER
MR. WILLIAM B. MACEY

TRANSCRIPT OF HEARING

MR. MACEY: The next case on the docket is case 779, which has been continued for the past two months. Does anyone have any comments or statements or testimony to give in case 779?

MR. GIRAND: The Commission has previously been furnished with recommended orders, one by the Famariss Crude Oil Purchasing Company and one by the El Paso Natural Gas. We heartily urge the Commission to adopt the recommended amendment of the Famariss Crude Oil Purchasing Company, and if the Commission would like to have some proof in regard to the matter, why we are prepared to offer some proof as to the method of handling of this type of commodity on the East side. I am not familiar with the San Juan Basin area. There was some testimony given here at the last meeting and we just feel that the reporting forms as requested and required by our proposed amendment would give the Commission a complete and adequate check of this

property and will insure the purchasers of this product of having acquired legal oil, so to speak. Now if the Commission please, I'd like to call Mr. Newman and have him sworn.

I'd like to make this announcement to the Commission, that the proposed amendment to Rule 312 as proposed by the Famariss Crude Oil Purchasing Co. are the rules under which the Famariss Crude Oil Purchasing Co. is now operating and has been operating ever since the old tank or treating plant rule was enacted.

J O E N E W M A N

called as a witness, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By: MR. GIRAND:

Q State your name, please, sir.

A Newman, Joe Newman.

Q And where do you live, Mr. Newman? A Hobbs.

Q What business are you engaged in, Mr. Newman?

A Well, I have got two businesses, one, I operate a filling station there and I also pick up drip gasoline.

Q I see. How much of your time is used or consumed in the picking up of drip gasoline?

A Oh, I couldn't rightly say how much time I put in.

Q How many units do you operate to pick up drip gasoline?

A One.

Q What is the capacity of that unit?

A I believe it is 1690 gallons.

Q Is it constantly in use in the picking up of drip gasoline?

A No, sir.

Q How much drip gasoline would you say that you pick up on an average, a month?

A Well, it's been different every month since I picked it up.

Q Well, do you have with you any record of the amount of drip gasoline you picked up in the month of November?

A Yes, sir.

Q How much gasoline did you pick up in the month of November?

A I'd have to look at the records there and see.

Q Do you have your records?

A There is about, I believe, four different places has records of that.

Q Do you have the records, Mr. Newman?

A Yes, sir, I have them.

Q Would you mind referring to them, please, sir?

A No, take me a little bit here to find it, I may not have the November's, I have the October's.

Q All right, sir, I will change my question. What does your report for October show?

A It shows 1565 barrels and 74 hundredths to one refinery and to one - -

Q What refinery?

A Wicket.

Q Wicket, Texas?

A Wicket, Texas, and to Mr. Walter Famariss Refinery was 110 barrels and 78 one-hundredths.

Q Now did you make any other sales? A No, sir.

Q Do your records show where you acquire this gasoline?

A Yes, sir.

Q And where did you acquire it?

A I acquired it from Permian Pipe Line.

Q In Lea County?

A In Lea County, yes, sir.

Q And how many drips were involved in obtaining this amount of fluid?

A Well, I have an Exhibit A here that has every drip on it, we'd have to count them, there's over a hundred of them.

Q There's over a hundred? A Yes, sir.

Q And how often do you furnish service to these drips?

A I try to check them twice a week, get around to all of them.

Q Now if I understand you right, the entire amount of drip gasoline that you pick up is either transported to the Wicket Refinery or the Famariss Refinery, right?

A Yes, sir, that is right.

Q Now what was the other business that you were engaged in, Mr. Newman? A I have a filling station in Hobbs.

Q Is that a -- A Gulf.

Q Gulf Station? A Gulf Station in Hobbs.

Q Are you the sole owner of both businesses?

A I am not, I -- the Gulf Station in Hobbs, I have a partner in that.

Q You have a partner in the Gulf Station?

A Yes, sir.

Q Do you have any partner on your drip gasoline?

A Well, a couple of working partners with me.

Q Working partners? A U-huh.

Q Do you mind giving us their names?

A Tipton and Cothran.

Q What is Mr. Tipton's first name? A Jack E.

Q Jack E. Tipton and Cothran?

A C-o-t-h-r-a-n, Cothran.

Q And what are his initials? A G. T.

Q Now what are their duties in regard to your drip gasoline operations?

A Well, they, they drive a truck and pick it up.

Q They drive a truck and pick it up? A U-huh.

Q Now when you acquired this gasoline, just tell the Commission what you do, in other words, do you make any report to Permian on this?

A Yes, sir, I make a weekly report to them on every week as to what I pick up, the number of drips that I blow and the locations.

Q I see. Then do they furnish you with the C-110?

A They don't furnish me with anything, I get that from the Oil Commission.

Q Well, now on what records do you furnish the Oil Commission to get a C-110?

A I give him a report, a monthly report.

Q And on the basis of that monthly report, do you then require a C-110? A U-huh.

Q Now during the month do you retain all of the drip gasoline in one central storage and then after you get your month's runs ask for a C-110, or do you sell it by the load?

A I sell it by the load as I get it, I have got storage for it.

Q Beg pardon? A I have storage.

Q I understand, but you don't use that for the purpose of accumulating the drip gasoline, do you?

A Not by months at the time, I don't.

Q Now do you have any records before the Commission showing the quantity of gas, drip gas, that you are selling to either Wicket or to the Famariss Refinery prior to your monthly report?

A I have a report, the gallons, on every gallon that I have ever sold to anybody.

Q I appreciate that, but I mean at the time you actually delivered the gasoline or the drip gas to Wicket or to Famariss, do you at that time have a C-110 to support the movement?

A Yes, sir.

Q You do at that time?

A I have one to cover it before I ever sell it to anybody.

Q Now how do you acquire that C-110, what do you show the Commission to acquire a C-110?

A Well, you can't rightly show any designated gallons or barrels on this drip gasoline business, you might go out there and get, say you wanted an allowable for C-110 for a thousand barrels, you might not get 200 barrels, and -- or you might get 2,000 barrels, you can't designate as to how much, there is no way of figuring how much you are going to get out of that thing.

Q Well, how do you arrive at requesting a C-110?

A Well, we just guess at a figure.

Q In other words, just go in and say, "I want a C-110 for so many barrels", is that right? A Right.

Q And at that time you don't have any barrels, is that right?

A That is right, not even - -

MR. GIRAND: I believe that is all.

A - - not any guaranteed.

MR. GIRAND: I believe that is all.

MR. MACEY: Any questions of the witness?

CROSS EXAMINATION

BY: MR. JOHNSON:

Q Mr. Newman, when you pick up this gas, are the traps on the Permian Basin Pipeline after it has already passed through the meter between the pipeline and the wellhead?

A I pick it up after it's gone through the meter and got out into the line.

Q In other words, the amount of gas to be taken has already been determined? A Yes, sir.

Q Before the condensation takes place in the line where you pick it up? A Yes, sir.

Q This condensation of the gas, is that subject to your control or control by the Permian Pipeline?

A I have a contract to pick that up after it gets into the lines.

Q The condensation, Mr. Newman, is there any way that you can control the condensation of the gas? A No, sir.

Q Isn't that just a natural process?

A That is right.

Q Subject to changes in accordance with temperature changes, thermal conditions and pressure, temperature changes and pressure on the line? A Right.

Q In making application for your C-110, do you just estimate

the amount of gas that you are going to pick up?

A Yes, sir.

Q And turn that in to the Conservation Commission office in Hobbs, New Mexico? A Right.

Q And in arriving at that figure, it is necessary for you to estimate the amount of gas that will condense through a natural process? A Yes, sir.

Q And in arriving at that figure, do you take any consideration of the amount of gas that you have picked up in the preceding months?

A Yes, sir.

Q The meter through which the gas passes, I want the Commission to thoroughly understand the position of that meter, Mr. Newman, is that between the wellhead and the pipeline?

A Yes, sir.

Q Now these drips which you service, are they on the pipeline after the gas has already passed through the meter?

A Yes, sir, they are.

Q And the quantity of the gas to be taken from any particular well has already been determined at that time? A Right.

Q And the gas which you are picking up from these gas drips, whose product is that if you know?

A I wouldn't rightly know if it come from - -

Q Can you tell from any particular well, I mean tell how much of the gas that you pick up comes from any particular well?

A No, sir.

Q Do you know how many wells are tied into the line that you service?

A No, sir, I'd just/to have count them up on this map, Mr. Johnson,

I don't know.

Q Can you state with an approximate degree of accuracy?

A Oh, I'd say a hundred and five, ten, somewheres along there, twenty-five, a hundred and twenty-five, up to a hundred and twenty-five.

Q In servicing these drips, you testified that you serviced them twice a week? A Yes, sir.

Q When you go back to service the drips, do you always find gas in each drip? A No, sir.

Q How long does it take for a quantity of gas to accumulate in there, based on your past experiences, Mr. Newman?

A That is something else you can't determine either, it, it might get some in there, oh, we'd say 24 hours and you pick up a barrel or two, you go back in another 24 hours or so, might not be a drop, might be dry, it might have gone somewhere else down that line, if there was any, and I couldn't rightly say that at all.

Q In other words, the quantity of gas that condenses is determinable by the amount of pressure on the line and the thermal changes?

A It is, and the way it drops out, it has to do with the moisture that collects in the line some, I guess, now I don't know anything about that part of it, what makes it collect or where it comes from, it comes out of some well somewhere.

MR. JOHNSON: That is all.

REDIRECT EXAMINATION

By: MR. GIRAND:

Q Mr. Newman, do you have any serious objection to the Oil Conservation Commission regulating this type of operation?

A No, sir, if the Commission sees fit to regulate that, it is all right with me.

Q And don't you think that it is such an industry that ought to be regulated?

A I do.

MR. GIRAND: That is all, sir.

RECROSS EXAMINATION

By: MR. JOHNSON:

Q May I ask one more question of the witness. Mr. Newman, the Commission has regulated your operations up to this time, have they not? A Right.

Q Do you have any objections to the Commission continuing the regulations that they now have into effect?

A No, sir, it is all right.

Q Are you familiar with the amendment of Rule 312 as proposed by the Famariss Oil Refining Co.?

A I have read it, yes.

Q Do you have any objections to that rule?

A Well, other than what I am already doing, I don't think I would object at all.

Q In other words, under subsection D, if the Commission please, I'd like to read this to Mr. Newman, the rule as proposed. "The Commission shall issue a permit to any purchaser or transporter, not a common purchaser as defined by the rules of the Commission, upon such purchaser or transporter filing an application for a permit, such application to show the following, to wit: the name and location or the lease trap or pit." Is it possible for you to show the name or location of the lease from which this comes?

A It would be impossible for me to show it, I couldn't.

Q In other words, you don't know where the gas, what particular lease the gas comes from - - A No, sir.

Q - - which condenses out? A No, sir.

Q It is all poured into a common line?

A Right.

Q The source of such oil or drip at the present time, you are furnishing the Commission that information, are you not?

A Yes, sir.

Q In other words, the Commission is advised that you are getting this from the Permian Basin Pipeline?

A Right.

Q The name of the owner or operator, you are furnishing the Commission that, are you not?

A Yes, sir.

Q That is, the owner or operator of the pipeline from which you pick up the gas? A Right.

Q Copies of contracts of purchase, have you furnished the Commission copies of your contracts of purchase?

A With Permian?

Q With Permian Pipeline.

A I don't know whether they have one or not, I kinda think they do have.

MR. MACEY: Mr. Johnson, Permian has given us a copy of the contract.

MR. JOHNSON: Permian has furnished you that. (Resuming) The location of the permanent storage to be installed by the permittee, you are doing that, are you not? A Yes. . .

Q Isn't that shown on your C-110? A Yes, sir.

Q Now do you have any objections, Mr. Newman, to the $25,000 surety bond?

A Well, I do, yes, sir.

Q Is that bond necessary to your operation?

A Well, that is the reason I object, I don't think so, I don't believe it is.

Q The gas which you are picking up is gas owned by the Permian Basin Pipeline, is it not? A Yes.

Q And by the terms of your contract, if you violate any of the regulations or rules or breach your contract with the Permian Basin Pipeline, is that contract subject to cancellation?

A Yes, sir.

Q And the product which you pick up in every occasion is gas owned by the Permian Basin Pipeline? A Yes, sir.

Q Which they have purchased? A Yes, sir.

Q And the producing lessee, or the royalty owners, have been paid or will be paid their pro rata share of the gas purchased?

A Yes.

MR. JOHNSON: I believe that is all, if the Commission please.

REDIRECT EXAMINATION

By MR. GIRAND:

Q Mr. Newman, if you pick up the gas in a trap or at a pit, you know the location of that pit, don't you?

A Yes, sir, I know the location of the pit, but I don't know where the fluid come from.

Q Well, you read this proposed rule, did you not, and it says "the name and location of the lease trap or pit", in other words, that

meant the source, that is all it means, and you are not telling this Commission that you don't want to tell them the source of where you get your products, do you?

A I furnish Permian weekly reports on every one of these locations, that I pick it up from, D-2, D-2-ER-4, and it is marked right onthere, the number of gallons that I got out of that one, I do that, yes, sir.

Q Then you are complying with that first one, aren't you?

A Yes, sir, I am doing that.

Q Now what is your primary objection to furnishing the Commission with a bond of your faithful performance of these proposed rules?

A Well, I don't object to it insofar as the bond goes, but it looks like just an added expense there that it is not necessary to have.

Q Then the expense of the bond is your primary factor, is that right? A That is right.

Q Have you made any inquiry as to the cost of a surety bond for $25,000?

A Yes, I know what it costs, it is very little.

MR. MACEY: Anyone have a question of the witness? If not, the witness may be excused.

MR. GIRAND: I have nothing further.

(Witness excused.)

MR. HILL: A. L. Hill with El Paso Natural Gas. As you know, Mr. Ben Howell, our counsel, usually is here and handles these things very expertly. I am sitting around here trying to clear up a little of my confusion that I have pertaining to the

intent of the application of the rules as suggested by Mr. Famariss. As you know, we submitted for the Commission's consideration a simplified, what we thought was a rather simplified rule to cover, and that pertained strictly to condensates and other products that accumulate in pipeline drips. That is all that we are interested in, that is under discussion here at this time.

We felt -- well, to begin with, we didn't understand that the Commission's original intention was to amend Rule 312 or whatever it is, pertaining to all these other things, creek oil, pit oil and all that. We didn't understand at that time that the Commission was thinking strictly of drip products as such, and therefore, we wrote this little proposal just as something to get started on. That pertains strictly to those products. It is still our feeling that if the working in of some revision of Rule 312 in order to give the Commission the information, and we might say reports and control, is what they want over drip products, means working that into a rule where you find it difficult to set up wordings and requirements to adequately care for the drip products along with all these other things. If that is to be done, I think that we should be entitled to a good explanation and some assurance of just how that would affect El Paso and Permain and these other pipeline companies operations and particularly insofar as the additional paperwork and red tape, so-called, would enter into it.

Now I think our Mr. ~~Bolsch~~ alch, in last month's meeting, gave a brief outline of our drip operations insofar as gathering and disposing of the drip products is concerned. In one instance, we gather from our drips, have our storage from which we sell to a transporter. Now as you know, the way it was done now we keep an

account of what we gather and store and then what we sell, and that is duly reported to the Commission, as I understand, by the transporter himself when he buys from us at those storage tanks. Now from our point of view, and incidentally since the drip gas, as we all know, is one of those uncontrollable darn things, it just happens, it is a darn nuisance actually, if you will excuse the darn business, it is sort of a nuisance to the pipeline operation, particularly in the wintertime when you get extra large volumes of it to contend with. We just gather that as a routine part of our gas system, it is there incidental to the gas and it is there to contend with, obviously we have to gather it, store it and then when it is sold to a transporter he is now conforming to the Commission's requirements, as I understand. And the Permian, in Lea County, I should say, why there we have a contract with a gatherer and he just reports to us how much he gathers, and I believe that is also reported to the Commission but beyond that El Paso isn't concerned.

Now I think our prime interest here, aside from doing all we can within reason to cooperate with the Commission in all our operations, we want that understood, but aside from that, our prime interest in it is trying to make sure that we aren't unduly overburdened with extra paper work and requirements in this. That is our position as I stated.

MR. MACEY: Thank you, Mr. Hill.

MR. GIRAND: If the Commission please, I'd like to ask Mr. Hill one question, I realize he is not under oath. Mr. Hill, in examining the proposed amendment to Rule 312, have you found anything in that proposed amendment as submitted to you by the Famariss Crude Oil that puts any additional burden on the El Paso

that they are not already doing or complying with?

MR. HILL: Well, only this and that is when I said I felt that we'd need time to study it, or at least have some assurance that it isn't going to add any particular burden to us. Now how many of these proposed requirements would apply to our operations?

MR. GIRAND: I think your signed run ticket is your sole requirement on El Paso or on any pipeline or on any lease operator and that is what is being done by you, under your statement to the Commission, now that you are reported to every week, the amount and from where.

MR. HILL: Well, as I stated, we are perfectly willing to go along with the way we are operating now on these things, if it doesn't change our responsibilities and operations too much. Let us say, we want to cooperate to the extent we can just so we are not required to have too many additional reportings and what have you on our day to day operations.

MR. GIRAND: Mr. Hill, the rule does not apply to your company or to any company who gathers their own product and then acquires, makes application for a C-110, it only applies to the operator going up and down the field purchasing this and gathering, doing his own gathering there, applies to all those operators and I think the Commission ought to know who they are and where they are getting it and the volume.

MR. HILL: Well, I think I made myself clear on that. You see, that happens in the San Juan right now, gather, and have our own storage and we sell from storage to a transport and the way that is handled now, it is perfectly satisfactory to us, and we are perfectly happy to go along with it. Now whatever requirements

the Commission might place beyond that on the transporter, why, of course, that would be a matter between the transporter and the Commission, not us. I am not saying, I want to make it clear again, that we are~~n't~~ willing to do what is reasonable if the Commission desires.

MR. MACEY: Mr. Johnson.

MR. JOHNSON: If it please the Commission, I understand that the El Paso Natural Gas Company has an engineer here and just for the purpose of the record, I'd like to call him to the stand and have him give an explanation as to how these drips operate.

MR. GIRAND: I think that was gone into at the earlier hearing, Ted. We will stipulate that the drips are placed along the line to catch the liquid as the gas is transported from point to point, as it drops out then either the liquids are blown out of the trap or gathered.

MR. JOHNSON: Will you also stipulate, Mr. Girand, if the liquid is not picked up it is blown out on the ground?

MR. GIRAND: That has been said, that it is blown into a pit.

MR. JOHNSON: That there is no way of getting it back into the well?

MR. GIRAND: I don't know of any, Mr. Johnson, in my limited knowledge.

MR. JOHNSON: I'd like to call Mr. Famariss to the stand, please.

MR. MACEY: Let's go off the record for a moment, please.

(Discussion off the record.)

MR. MACEY: We will continue Case No. 779 until after the noon recess. (Recessed)

MR. MACEY: We will ~~not~~ re-open Case No. 779.

MR. JOHNSON: That is right. We'd like to examine Mr. Famariss. We are calling him as an adverse witness.

W A L T E R F A M A R I S S,

called as a witness, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By: MR. JOHNSON:

Q Your name is Walter Famariss?

A Walter Famariss, Jr.

Q You are president of the Famariss Oil Refining Company?

A And also the Famariss Crude Oil Marketing Company.

Q Crude Oil Marketing. You are one of the proponents of the amendment of Rule 312 which is the subject of the hearings before this Commission, are you not?

A We were asked to submit suggestions for the revision of Rule 312, which we have so done.

Q You were asked to submit objections?

A No, recommendations.

Q Recommendations? A Yes.

Q Mr. Famariss, will you explain to the Commission briefly the reasons why you make these recommendations?

A The best answer I can give you to that is because we deem them minimum security regulations under which the various parties involved can operate.

Q What is your reason for making the recommendation that the name and location of the lease trap or pit be furnished to the Commission?

A To give the Commission the proper identification of any oil that might be acquired in this nature.

Q You mean oil acquired by the operators servicing drip gas traps on the line?

A It is purely identification.

Q Just for identification? A Identification.

Q What is your reason for making a recommendation at the source, that the Commission be furnished the information as to the source of such oil or drip?

A Again that it may be identified.

Q What is your reason for making the recommendation that the name of the owner or operator be furnished to the Commission?

A Again that it may be identified.

Q What is your reason for making the recommendation that copies of contracts of purchase be furnished the Commission?

A To provide them with as comprehensive information of the operation as is possible.

Q That is purely another matter of identification, is it not, Mr. Famariss?

A You could name it such.

MR. GIRAND: May I interrupt, the present order requires the filing of a contract as it is, Rule 312, Section C, requires the filing of any contract.

MR. JOHNSON: If it please the Commission, I believe that particular order only applies to wash-in oil, creek oil, pit oil, or scrubber oil. (Resuming) What was the purpose of your recommendation that the location of permanent storage be installed by the permittee?

A Well, the idea there is that there may be some control over acquisition and no blanket authority granted for a supposed acquisition which may or may not occur.

Q Is it your recommendation that this would apply to drip gasoline, Mr. Famariss?

A Yes, it is.

Q Is it your recommendation that permanent storage facilities be installed and all of the drip gasoline which is acquired by the operators servicing the drips be placed in this storage before the operator gets a C-110 from the Corporation Commission?

A Without qualification, yes.

Q In your opinion can the Corporation Commission control the acquisition or quantity of the drip gas?

A I think they can regulate it, I think that it is their duty to regulate it.

Q Can they control the quantity?

A Nobody can control the quantity.

Q That is just a natural process, isn't it, Mr. Famariss?

A I don't know, I am not an engineer.

Q You are familiar with how it forms, though, aren't you?

A Oh, in a layman sort of way.

Q You have been in and around the oil fields for twenty years and worked in the oil field?

A A little more than that.

Q What was the purpose for your recommendation as to the $25,000 surety bond?

A The State requiring bonds in certain actions is not an unusual procedure, it provides the State with a means of being

remunerated for any practices by which they might be attacked through the course of law, by the acquisition of people's property which was not supposed to have been acquired, it also assures the Commission that the people entering this business or any business, this bond or any bond, that they are financially able to handle the business, they pre-suppose that they can, and it also gives an, an element of screening, makes available to the State an element of screening of any person who might wish to enter the business. I don't think the requiring of the bond here is unusual, it exists all through our State government and Federal government. We are bonded to the hilt in the refining business, every time we turn around it is another bond.

Q Do you think that the furnishing of the bond, Mr. Famariss, would prevent misappropriation of the oil?

A I can't construe what you mean, they are two divorced things.

Q I am trying to get at what was the purpose behind the recommendation for the $25,000 bond.

A To provide an indemnifying instrument in there to cover any losses that might occur to interested parties involved.

Q In other words, prohibit theft of oil which belonged to other people?

A That could be.

Q Do you feel that the criminal laws of the State of New Mexico are not sufficient for that purpose?

A I don't know anything about criminal law.

Q Now about the screening of permittees, do you think that the Permian Basin Pipeline Co. or the El Paso Natural Gas Co. would

enter into a contract with any individual to perform this service who was not capable of performing the service?

A Everybody makes bad deals.

Q Do you think that they would enter into any contracts with individuals - -

A Not any more than you would, knowingly.

Q That is a matter between the - -

A (Interrupting) It is arbitrary.

Q - - between the operator and the Permian Basin Pipeline and the El Paso Gas, isn't it?

A I don't think that is involved here, we are concerned primarily with the regulation of the Oil Commission over the operation and I think that what goes on between a party wishing to enter the business and the party he is going to do business with is irrelevant here.

Q Well, any theft of this oil or gas actually would be a theft of property from the Permian Basin Pipeline or the El Paso?

A No, not necessarily, no, absolutely not.

MR. GIRAND: We are going to object to this line of questioning as purely argumentative, he is only asking for opinions of the witness, not for any facts. We submit that it is improper.

MR. JOHNSON: If it please the Commission, we are just trying to find out what is the reason behind the recommendations made.

MR. GIRAND: Well, if you want to elicit the information that the El Paso may have and the Permian Basin may have, I submit that they have agents and representatives here qualified to answer the policies of their company.

MR. JOHNSON: If it please the Commission, the burden is on

Mr. Famariss to sustain the proposal of this amendment.

MR. GIRAND: I beg counsel's pardon, if the Commission please, there is no burden involved in this. The Commission asked us to submit a proposal, we did, we think it was good and still do. We are open to any other suggestions that might improve it, that sure should be --

MR. JOHNSON: Maybe I misunderstood the proposal. Now, of course, I didn't have the benefit of the previous hearings on this, but it is my understanding Walter Famariss, Jr., is proposing this rule change. Now whether he is doing that at the request of the Commission, I don't know.

MR. GIRAND: I would like to have the Commission read the notice of the case, please for the record.

MR. MACEY: This notice is a matter of record in the case, it is the matter of the application of the Oil Conservation Commission for regulations relating to drip gasoline. "Applicant in the above styled case seeks revision of rule 312 of its rules and regulations to promulgate supplementary and additional rules governing the acquisition, transportation, and sale of drip gasoline and trap oil." That is the way the notice reads.

MR. JOHNSON: Mr. Famariss --

MR. MACEY: (interrupting) Just a minute, Mr. Johnson. We would like to know the reasons behind the recommendations which are included in Mr. Famariss's proposal, as I understand it, this is your proposal, is that correct?

A That is right, sir, yes.

MR. MACEY: And I think the Commission should very definitely know the reasoning behind every part of the proposal, as a matter

of fact, I think there is a -- that the line companies who are involved in the case would be interested in knowing why these things are required for their own information. All right, Jr. Johnson.

MR. JOHNSON: (resuming) As I understand your testimony, Mr. Famariss, the purpose of the bond is to permit the Oil Conservation Commission to screen the applicants?

A Its qualifications, yes.

Q As a financial qualification of his ability to perform the services authorized by the Permian?

A That would be one of the elements.

Q What would be the other elements, Mr. Famariss?

A The normal procedure that a person has to go through in obtaining a bond.

Q What do you mean, normal procedure?

A Normally you have an application, it states out your name, age, date, birthplace, and so on down through it. When you get through, you have a pretty good history of what the applicant has done in years past, which does have a connection in his ability to secure or not secure the bond.

Q That information wouldn't be furnished to the Commission, would it?

A The Commission would know that it had been.

Q That would be furnished to the bonding company?

A I imagine it would be available to the Commission if they so wanted it, it is public record.

Q Are there any other reasons for that recommendation?

A I think we have covered it pretty thoroughly.

Q Do you have any other reasons, Mr. Famariss?

A I think we have covered it pretty thoroughly.

Q That is your only two reasons for the bond?

A Well, you know you, had I known you were going to ask that question, I am quite sure I'd have had voluminous testimony to offer.

Q Upon the granting of the permit to the purchaser or transporter, you made a recommendation that the permittee be required to furnish the following: run tickets showing acquisition, is that right?

A (Nods head.)

MR. GIRAND: Answer up.

A Right.

MR. JOHNSON: What was your reason for making that recommendation, Mr. Famariss?

A Well, if I may, Mr. Counsellor, I would prefer to answer your question in a comprehensive manner of logic by going through all of the points that have been set out here, which are points 1, 2, 3, and 4.

Q All right.

A The run tickets showing acquisition, we feel, are essential and necessary, the run tickets could cover even an accumulated tank of drip on the line or a transport-load which had been acquired through small drips, in other words, it could be of any unit of acquisition. In such a case the parties in whose lines this drip gasoline originates then have an immediate accounting or record of the acquisition, and there was a question brought up here this morning relevant to the burden of paper work, and at this particular point

is the only point at which the owner of the gathering system, speaking of the gas system, enters into the execution of papers as far as the permittee is concerned, he does that by virtue of signing the run ticket, just as you run oil from a lease, the purchaser signs it and the owner signs it, so you have a good accounting of it at that point. The accumulation reports we deem essential for the reason that they'd provide the means by which acquisition is effected and proven against which point number three, a C-110 would be issued. We see nothing burdensome in this on anybody. We also see an excellent control established for the Commission because it makes necessary the accumulation before authority to transport and sell is obtained. We feel definitely that the issuance of a blanket C-110 on a presupposed amount that might be acquired is a dangerous instrument. Off the record.

(Discussion off the record.)

WITNESS: The monthly reports we consider necessary for good accounting purposes, for the Commission to have a quick method of overall operations that would be tied over a calendar period, comparable to the monthly or periodical reports required by the Commission in other instances in other businesses. Now that pretty well covers the purposes for which -- you have anything, Mr. Girand, you'd care to add to that?

MR. JOHNSON: The run tickets showing acquisition, by that you mean showing acquisition from the pipeline or owner of the pipeline gas?

A Yes.

Q Not necessarily the lease operator?

A Not the lease operator, he is not involved.

Q The accumulation reports showing the storage, if I understand your recommendation, that as the acquisitions of the drip gas are made and stored, the Commission would be furnished a statement showing the amount put in the storage facilities?

A That would constitute the request for the C-110.

Q And it is your recommendation that the C-110 not be issued until after all of the gas had been accumulated and stored, is that right?

A What do you mean by "all"?

Q After the gas which was collected from the drips were stored in permanent storage facilities.

A Well, you have to use some sort of, either a calendar period or a tank capacity.

Q Well, over thirty?

A No, not necessarily over thirty days, it might be, or one day, in other words, you pick up five 100 barrels, you have accumulated there itself, and you are ready to make out your report.

Q At that time the C-110 could be issued?

A Yes.

Q And not before?

A Not before.

Q The monthly reports, it is your recommendation that the monthly reports be made to the Commission?

A Yes, definitely.

Q You heard the testimony here this morning, didn't you, Mr. Famariss, whereby reports were made biweekly to the Permian Basin Pipeline Co.?

A I don't recall it.

Q The issuance of the C-110, insofar as this applies to operators

servicing drip gas, drips, on the line, the proration of the gas has already been determined prior to the acquisition of that, hasn't it?

A Yes, the gas well being legally produced, it would have to have been determined.

Q And this is just a byproduct which takes place through natural processes after the gas has been purchased, isn't it, Mr. Famariss?

A Now what do you mean "this"?

Q After the gas, in other words, the drip gas which accumulates in these drips along the line.

A Is what?

Q That is just an accumulation which takes place after the gas has been purchased by the Permian or the El Paso, isn't that true?

A Well, it is purchased after it flows out of the well, so therefore it would have to, because it has to get out of the well, but I wouldn't concur with you that it occurs after the meter run.

Q In other words, after it passes through the meter?

A I don't concur that drip don't collect on the stream side of the meter.

Q But there has been no evidence here that these operators are servicing those drips, are they?

A I don't know.

Q The pipeline companies have no authority to authorize these operators to service those drips, do they?

A I can only speak in a particular instance of our own

production, and it is a pipeline company's line to our wellhead, so I would say that the pipeline company has jurisdiction from our wellhead on.

Q From your wellhead on?

A From our wellhead on, which is both downstream and upstream to the meter.

Q Did you hear the testimony this morning which was given by Mr. Joe Newman to the effect that all of the drips which he serviced were drips situated along the line of the Permian Basin Pipeline after the gas had already passed through the meter into the main line?

A I believe that is what he contended.

Q And that those were the only drips in which he was servicing?

A I don't recall that statement from him.

Q You have also recommended that after the granting of the permit and in the event the permittee is found guilty of violation of any of these rules and regulations of the Oil Conservation Commission or any of the laws of the State of New Mexico in regard to production, sale and transportation of wash-in, creek, pit, scrubber or drip gasoline, that the permit be subject to cancellation without hearing?

A U-huh.

Q Is it your recommendation that that should apply to drip gasoline? A Definitely.

Q Why should it apply to drip gasoline?

A Well, once a malpractice is turned out, why there is no

logical reason for continuing the party in business.

Q Well, you think or is it your statement that any of the pipeline companies wouldn't take steps to correct any malfeasance which any of their permittees were engaging in?

MR. GIRAND: If the Commission please, we object, again it is strictly argumentative, what he thinks the pipeline people would do, it wouldn't make any difference what he thinks.

MR. JOHNSON: If it please the Commission, we feel like we are entitled to inquire into it.

COMMISSIONER WALKER: Mr. Johnson, we feel that you are, too, but not to the extent of the witness's speculation as to what the pipeline companies would do as far as malfeasance itself is concerned.

MR. JOHNSON: (resuming) Now Mr. Farmariss, in your opinion, could the operator of, or one of the individuals servicing these drip pipelines or these drips on the pipelines misappropriate drip gas?

A You are more or less asking me to reflect conviction.

Q Well, that is the purpose.

A I decline to answer your question. I think the answer is obvious.

Q Do you recommend that the permit be suspended without a hearing or cancelled?

A I do, as previously stated.

Q Mr. Famariss, would this affect your operation in any way there in the refinery?

A Not one bit.

Q Would it affect your operation as a crude oil purchasing

company?

A Not one bit, we have self-imposed these same rules on ourselves because we considered them minimum security operation methods, even though not required by the Commission.

Q You have self-imposed those rules on yourself because you do purchase wash-in oil, creek oil, pit oil, or tank bottom oil, do you not? A We do not.

Q Have you ever at any time purchased them?

A We did not, we purchased scrubber oil.

Q What do you mean by the use of the term "scrubber oil"?

A It is in the same category oil-wise as drip gasoline is gasoline-wise, it occurs in the same manner.

Q Mr. Famariss, you purchased drip gas from Mr. Newman, did you not? A we have.

Q And are you purchasing gas from him at the present time?

A I don't know when his last delivery was made to us, we still would.

Q I didn't ask you, Mr. Famariss, if you would, I asked you if you are purchasing it at the present time.

A We still offer him a market.

Q You still offer him a market. Is he selling gas to you?

A Now, Ted, he sold me some in November, this is December, and I haven't seen our report and I can't tell you when the last delivery was made to our refinery by month, day, and time.

Q What did you pay him for oil if you recollect?

MR. GIRAND: Now if the Commission please, I can't see what a refinery pays for drip gasoline has to do with the order permitting a man to pick it up. That is strictly an arm's length

negotiation between a possessor of the drip gasoline and the refinery to whom he sells, it could have no bearing on a rule or regulation governing the transportation.

MR. JOHNSON: If it please the Commission, we'd like to make inquiry into it to see whether or not there is any bias or prejudice which motivated these recommendations.

MR. GIRAND: If the Commission please, I'd like to make this further statement. I have failed to find in this proposed rule any wording that would even slightly intimate that the holder of a permit would be required to sell the product to Famariss Refinery. I think it applies to all of them and even apply to Famariss if he obtains a permit, what he pays for it is surely not germane here.

MR. MACEY: Mr. Johnson, exactly what was the purpose of your question?

MR. JOHNSON: Off the record.

(Discussion off the record.)

MR. JOHNSON: That will be all, if the Commission please.

CROSS-EXAMINATION

By: MR. GIRAND:

Q Just one question, it may be a little repetitious, but Mr. Famariss, at the present time you are now operating under the very rules that you have suggested here with the exception of the penalty clause authorizing summary cancellation of your permit, isn't that correct?

A Yes, we are operating under these rules and, well, I might add to it that we are very proud that we are.

Q Have you found the requirements of these rules prohibitive or burdensome on you?

A They are definitely not burdensome.

MR. GIRAND: That is all.

REDIRECT EXAMINATION

by: MR. JOHNSON:

Q Mr. Famariss, the oil which you are purchasing though, is being purchased at the wellhead and any purchase that you made without this rule would be purchase of oil in addition to the oil produced by the daily allowable, wouldn't it be?

A I don't know that I follow you.

Q In other words, Mr. Famariss, you go out and you purchase some of this scrubber oil at the wellhead or at the tank or wherever it is, say you purchase 40 barrels, if the Commission doesn't have some information as to that 40 barrels which you purchased and take that into account in establishing the daily allowable for this well, that would permit that well to produce oil in excess of the allowable, wouldn't it?

A I think that the Commission has adequate controls over refinery operation that absolutely makes impossible the handling of what you are implying, hot oil, it makes it impossible, there is no complication as that in your question.

Q If the rule though, as it exists at the present time as to the type of oil that you purchase, if the Commission did not have that information before them, the amount of oil that you purchased, it would permit the operator to go ahead and produce oil in addition to that which they sold to you, is that true?

A That is why we proposed this, that will prevent it.

Q But in this instance, as to drip gas, the quantity of the drip gas is accumulated after the allowable has already been established and after it has already been purchased, isn't that true?

A This will still account for it and I think nothing less than this will account for it.

Q Is it your recommendation that the Commission can control the acquisition or the accumulation or disposition of the accumulation of the drip gas after it has been purchased?

A I think that this regulation here offers the Commission opportunity to control this particular type of oil regardless of where it moves.

MR. JOHNSON: No questions.

MR. GIRAND: Mr. Famariss, in order to enlighten Mr. Johnson and the Commission, does the drip gas and scrubber oil have any particular distinguishing characteristic over crude oil?

A Drip gasoline and scrubber oil have the characteristics of crude oil?

MR. GIRAND: No, do they have any distinguishing characteristic?

A No, no.

MR. GIRAND: Is there anything, anything particularly --

A (Interrupting) No, no, the same stuff.

MR. GIRAND: Can you look at the stuff and tell whether or not it came out of a drip or distillate well?

A You cannot.

MR. GIRAND: That is all.

MR. MACEY: Anyone else?

EXAMINATION

By: MR. MACEY:

Q Mr. Famariss, you made a statement in connection with your item number one pertaining to run ticket showing acquisition in which you draw a parallel of an owner of oil in a tank battery selling oil to a pipeline company, they issue a run ticket and a purchaser's representative and the lease owner's representative sign the run ticket. Now what possible parallel could you draw to the man owning the drip gasoline in the drip acquiring it himself?

A For instance, El Paso Natural acquiring it himself?

Q Or Mr. Newman acquiring it himself, Mr. Newman owns the drip, the drip gasoline that is collected in it according to the contract.

A He owns it before he acquires it?

Q He goes out and gets it, it's his if he goes out and gets it.

A It is after he gets it, it becomes his, he gets it at this time after removing it.

Q All right, let's forget about Mr. Newman, let's talk about El Paso getting the drip, do they make themselves out a run ticket?

A No, no, they are excluded from any regulation under here where the owner accumulates and sells into the market, they are excused from these regulations, this is only where another party enters.

MR. GIRAND: Mr. Macey, may I interrupt?

MR. MACEY: No, you may not interrupt. I want to ask, you mean to tell me under your proposal El Paso wouldn't have to comply

with any of these provisions or any other pipeline?

A They would have to, as I understand, they do not acquire C-110 or file for C-110 to ship, but other than that, no, there isn't any other place in this regulation where they would be bound, see, they are excluded in this first paragraph of the proposal.

Q And they could burn it if they wanted to?

A I imagine so.

Q Well, now Mr. Girand, go ahead.

MR. GIRAND: That is all I wanted to clarify, the rule provides that the owner, the sale by the owner is not subject to the rules and that would be a sale when the owner acquired the C-110, the authority to transport the moving.

MR. MACEY: Now I want to ask another question about the so-called parallel between drip gasoline and scrubber oil, do you go out and pick up any kind of liquid hydrocarbons on a natural ~~pass~~ gas gathering system?

A Yes, sir, yes.

Q Where, in what do you pick it up?

A How, you mean physically do we pick it up?

Q I mean where does it accumulate.

A All right, we have several methods, one of them where you might say quantities exist, we erect a tank and blow the drips down into the tank to where the quantity is economically feasible is gathered, that is one method and on rare occasions we might enter the truck direct from the drip.

Q You have any kind of a connection with a scrubber on a gasoline plant?

A You mean to the gasoline plant scrubber tank? In one

instance, yes, we have a line that runs from that scrubber permitting it to be blown down into a tank which prevents waste and recovers all of the available oil that would be recovered by that scrubber.

Q In other words, if I understand it, you have some kind of a contract with this gasoline plant whereby they have a tank that collects the scrubber oil?

A No, we own the tank.

Q All right, the oil is taken out of the scrubber directly into your tank? A That is right.

Q And then it goes, where does it go?

A Well, from that accumulation tank if it is pipeline quality, which it rarely is, then it would be transferred from that accumulation tank to pipeline run tanks or in other instances from the accumulation tank to our tanks and in turn taken to the refinery.

Q All right, now when does it become your scrubber oil, when do you own it?

A When it enters our property, our tanks, or our truck, all we have is the right to gather.

Q How often do they put oil from the scrubber into the tank?

A As often as it accumulates, I mean it might be a month and you'd get none and then it might be that that scrubber tank may dump two or three times in a day.

Q Every time you make a run out of that accumulation tank, you make a run ticket?

A Yes, sir, yes, sir.

Q Now Mr. Famariss, isn't it a fact that the oil as it is used in here as the term wash-in oil, creek oil, pit oil,

scrubber oil, isn't that oil, that liquid hydrocarbon in almost every instance oil which is produced in addition to any authorized allowable to an oil well to a proration unit?

A It is bound to be.

Q Well, wasn't the main purpose of the $25,000 performance bond to prevent anyone from going out and making any kind of a deal to pick up oil from the lease pit or something like that in addition to the oil?

A Definitely.

Q Because of the fact that you had a certain fixed allowable on that well, and if someone made a deal to go out and pick up so-called hot oil, that was the Commission's protection, $25,000 against someone doing that in an unscrupulous manner?

A Yes, yes.

Q Now inasmuch as the drip gasoline is produced against -- not against allowable, as far as the gasoline itself is concerned, why is it necessary other than knowing what volume is involved, why is it so necessary that we are concerned about the disposition of it?

A Well, is it not your distillate that is produced incidental to gas, is under an allowable if I understand correctly.

Q It is an arbitrary allowable, though?

A But it is an established allowable, though.

Q Sure, the allowable is fixed up ahead of time, incidentally, and is assigned to the well before the well is ever produced into a tank. Mr. Porter authorizes a certain well to produce an estimated amount of distillate, condensate, whatever you want to call it, on a monthly basis, whether they produce half of it or all of

it or all of it doesn't make any difference, it is solely for the accounting differences and in its distillate or condensate is in the same category of drip gasoline as my concept of drip gasoline is, that it is produced incidental to a gas allowable.

A That is right.

Q Now some of the condensate or drip is of low gravity due to the complex nature of the reservoir which we are dealing with, such as the Blinebry or the Eumont where some of the gas wells make oil, but that liquid hydrocarbon which we are dealing with, in that case there is no question of a violation of over-producing the well from the liquid standpoint, the violation can only occur where you can have an allowable on the liquids?

A That, yes, I'll go along with that completely, however, I'd like to qualify it in this manner, that the opportunity to go to a lease tank for drip gasoline exists just as does the opportunity to go there for lease oil.

MR. MACEY: Let's take a short recess.

(Recess)

MR. MACEY: (resuming) Any further questions of the witness? Mr. Porter?

MR. PORTER: I would like to explain a situation which presents now as a matter of record, and then ask how that might be affected by these proposed rules. There is a leaseholder near Eunice who I believe has an agreement with one of the gas transmission systems whereby he is to get the drip from certain wells, and he sets storage to collect that drip on his own property there and it is very close to a crude oil transmission line, and he either had the connection or he anticipates one to his crude oil

line, my question is, would he be subjected to this bonding provision also, he'd have to have a hearing to get a permit to continue this operation, and there may be others like it?

A Were you asking me the question?

MR. PORTER: Yes, sir, I wonder how those proposed rules affect the operation.

A That looks to me like it is an interpretation that would be reserved to the Commission. I'll express my opinion that he should qualify as should anybody else.

MR. MACEY: Anyone else? If not, the witness may be excused.

(Witness excused.)

(Discussion off the record.)

MR. MACEY: Let's go back on the record. Anyone have anything further that they'd like to say in this case?

MR. HILL: I'd like to state that since the various questions have just been tossed around here, and since our attorney is unable to be here and there is quite a legal question involved, and furthermore, more specifically, the proposed rules as entered by Mr. Famariss, while according to the counsel are not intended to apply in all their points to the owner of the pipeline itself, they do not specifically, to me at least, exclude the pipeline from any of them. There are things, I feel, that at least the wording should be so changed as to make it clear as to which points do apply and which do not apply to the pipeline company operating the pipeline system from which this drip gasoline is gathered. With that in mind, I should like to request the Commission to continue this case until the next hearing.

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(Witness excused.)

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MR. MACEY: I might add something to Mr. Hill's statement. I have had a discussion on this problemsof this case, Mr. Stanley, our engineer at Hobbs, Mr. Stanley stated that he would like to make a thorough study of all of the conditions involving any of the movement of any product under Rule 312, with the idea in mind that maybe the entire rule should be thoroughly checked into. Now I think frankly he may have a point, I know that the Commission should, if they are going to have a rule, they ought to make sure that they understand everything that is going on under the provisions of the rule. Now I realize we have been dragging this case out since sometime in October, I believe, this is the third month, and with the thought in mind that we will wind it up in January, and give everyone an opportunity to go over the proposal, I'd like to ask a question of Mr. Famariss or Mr. Girand. Has this been offered in evidence, this is the first time that I saw it?

MR. GIRAND: No, it has not, I furnished the El Paso with a copy of it and Mr. Hinkle at Roswell, I just revised it, the first proposed rules to take care of the things that Mr. Ben Howell was objecting to, primarily, mixing in drip gasoline with wash-in oil and pit oil and creek oil and such as that.

MR. MACEY: We have had a motion to continue the case until next month by Mr. Hill, is there objection to the continuance of the case to January 13 hearing?

MR. GIRAND: Well, we just furnished the service here to the Commission by offering a proposal on their hearing, and we give it for what it is worth. That is all we have to say.

MR. MACEY: That is the point that Mr. Walker just brought out, that this rule with your amendments has not been distributed

to everyone involved, I don't know whether Permian has seen it, have you seen it?

MR. JOHNSON: We have received it this morning.

MR. AINSWORTH:Yes.

MR. GIRAND: There is nothing added to it, we called attention to it in the last meeting.

MR. MACEY: We will continue the case to January to give our staff a chance to study the proposal. Can you furnish Mr. Stanley a copy of this?

MR. FAMARISS: Yes, he can have our complete records of it.

MR. MACEY: Continue the case until January 13.

STATE OF NEW MEXICO)
) ss.
COUNTY OF BERNALILLO)

I, MARGARET McCOSKEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 23rd day of December, 1954.

Margaret McCoskey
Notary Public - Court Reporter

My commission expires:
August 15, 1956.

CASE 779

(Famariss Oil & Refining Company's Proposed Rules)

Rule 312, Subsection (c) of the Rules and Regulations of the Oil Conservation Commission be amended as follows:

None of the provisions of Paragraph (a) and (b) of this Rule are applicable to the recovery of wash-in oil, creek oil, pit oil, or scrubber oil where such oil is picked up and returned to the lease on which produced or where such oil is disposed of by the owner to an authorized purchaser or transporter and accounted for on Commission Form C-110. Provided, however, before any person other than the owner shall pick up, reclaim, salvage or transport wash-in oil, creek oil, pit oil, or scrubber oil, a permit to do so shall be obtained from the owner or operator of the lease, pipeline, or refinery and a permit from the duly authorized agent of the Commission. A purchaser or transporter desiring to obtain a permit to perform the services under Subsection (c) of this Rule shall:

1. File with the Commission a surety bond of performance satisfactory to the Commission, payable to the Commission of the State of New Mexico in the penal amount of $25,000.00.

2. A written application for a permit to transport shall be filed and a public hearing had thereon. All applications to show:

   (a) The name and location of the lease, trap or pit;

   (b) The number of well or wells from which the oil or drip was produced or the source of such oil or drip;

   (c) The name of the owner, operator or manager of the lease, pipeline or refinery;

   (d) Contracts of purchase, if any.

3. All permitees will be required to establish permanent storage facilities in the area called for in the permit and give the location thereof, such facilities to serve the area covered by the permit.

4. All permitees will be required to furnish the following evidence, to-wit:

   (a) Run Tickets showing acquistion;

   (b) Accumulation reports showing storage;

   (c) C-110;

After the granting of a permit in the event the permitee is found guilty of violation of any of the Rules and Regulations of the Oil Conservation Commission or any of the laws of the State of New Mexico in regard to the production, sale and transportation of oil or drip gasoline, said permit shall be subject to cancellation without hearing. The Commission may suspend any permitee upon presentation of evidence of violation of the Rules and Regulations of the Commission; provided, however, that such suspension shall be temporary until the charges against the permitee are made known to the permitee and the hearing before the Commission must be granted the permitee within twenty days after the notification of the charges made, and should the Commission determine that the charges are well founded, the Commission may then enter its order cancelling the permit.

CASE 779
(Famariss Oil & Refining Company's Proposed Form)

OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Monthly Report of Operations for _____, 19____

Operator _____ Address _____
Lease _____ Sec. _____ T.S. _____ Rge. _____

Stock on hand - Beginning of period		_____
Acquistions - Gross	_____	
Deduct, Losses on acquistions	_____	
Acquistions - Net		_____
Pipeline runs	_____	
Add, Losses on pipeline runs	_____	
Pipeline runs - Gross		_____
Stock on hand - End of period		_____
Represented by:		
Stock below pipeline connection	_____	
Gross Allowable requested by C-110 dated _____	_____	
Total		_____

Signed: _____
By: _____

STATE OF NEW MEXICO)
COUNTY OF _____)

Before me, the undersigned authority, personally appeared _____ Known to me to be the _____ of the plant filing the above report who upon his oath says that the above and foregoing report including attached papers is complete and each statement therein contained is true and correct, and that no oil or the products thereof was received, delivered, processed, reclaimed, blended, treated or on hand at the beginning or end of the reported period, in addition to that shown during the above reported period.

SUBSCRIBED AND SWORN TO BEFORE ME, THIS _____ day of _____, 19_____.

S e a l

_____
Notary Public in and for _____
County, New Mexico
My Commission Expires: _____

CASE 779

(Famariss Oil & Refining Company's Proposed Form)

OIL CONSERVATION COMMISSION

Santa Fe, New Mexico

For the period from _____ to _____

Operator _____ Address _____

Lease _____ Sec. _____ T.S. _____ Rge. _____

Stock on hand - Beginning of Period		_____
Acquistions - Gross	_____	
Deduct, Losses on acquistions	_____	
Acquistions - Net		_____
Total		_____
Pipeline runs - Net	_____	
Add, Losses on pipeline runs	_____	
Pipeline runs - Gross		_____
Total product available (stock on hand-End of period)		_____
Deduct, Stock below pipeline connection		_____
GROSS ALLOWABLE REQUIRED		_____
Deduct, balance not run of Gross Allowable authorized by C-110 dated _____		_____
NET ALLOWABLE REQUIRED		_____

Schedule of Acquistions and Pipeline Runs
(Tickets Attached)

Date	Ticket	Company	Acquistions	Pipeline Runs

(If further space is required, attach schedule)

TOTALS _____ _____

Signed: _____

By: _____

STATE OF NEW MEXICO)
COUNTY OF _____)

Before me, the undersigned authority personally appeared _____ known to me to be the _____ of the plant filing the above report who upon oath says that the above and foregoing report including attached papers is complete and each statement therein contained is true and correct, and that no oil or the products thereof was received, delivered, processed, reclaimed, blended, treated or on hand at the beginning or end of the reported period, in addition to that shown during the above reported period; and that said reporting firm is entitled to C-110 for shipment of the tenderable stock at the end of the period covered and as shown by this report.

SUBSCRIBED AND SWORN TO BEFORE ME, THIS _____ day of _____, 19___

Approved Date _____

By: _____
For: Oil Conservation Commission

Notary Public in and for _____
County, New Mexico
My Commission Expires: _____

CASE 779

(El Paso Natural Gas Company's Proposed Rules)

GATHERING AND TRANSPORTING OF LIQUID HYDROCARBONS RECOVERED IN DRIPS OR OTHER COLLECTING DEVICES WHICH ARE A PART OF NATURAL GAS GATHERING AND TRANSMISSION LINES

A. Before any liquid hydrocarbons may be recovered from drips or other collecting devices on natural gas gathering and transmission lines by a party other than the owner of the pipeline facilities from which it is to be recovered, the following regulations must be complied with:

1. The party desiring to recover such liquid hydrocarbons must obtain from the New Mexico Oil Conservation Commission a permit to gather gas pipeline drip products. Such a permit shall be granted only after said party has proved to the Commission's satisfaction (1) that there is a need for such a permit and (2) that the operation will be conducted satisfactorily.

2. Application for the permit discussed in 1 above must be accompanied by four copies of Form 110 executed by the owner of the gas pipeline facilities authorizing the gathering and transporting of such drip products and giving a description of the facilities which are authorized to be serviced.

3. The gatherer and transporter authorized as provided above shall file Form 112 each calendar month in accordance with Rule 1111.

B. Any liquid hydrocarbons which have been recovered from drips or other collecting devices on natural gas gathering and transmission lines by the owner of said pipeline facilities may be transported by a party other than such owner if the following regulations are complied with:

1. The owner of the gas pipeline facilities shall execute in quadruplicate and file with the Commission Form C-110 authorizing the transportation and describing the facilities to be serviced.

2. The owner of the gas pipeline facilities shall file with the Commission a monthly report on Form C-112 indicating therein stocks of liquid hydrocarbons on hand and deliveries to each transporter for the month.

3. The authorized transporter shall file with the Commission a monthly report on Form C-112 indicating therein receipts from each storer and deliveries to storers or refiners for the month.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF THE STATE OF NEW
MEXICO FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 779
Order No. R-1038

THE APPLICATION OF THE OIL
CONSERVATION COMMISSION UPON
ITS OWN MOTION FOR AN ORDER
PROMULGATING RULES AND REGULATIONS
GOVERNING THE COLLECTION, TRANS-
PORTATION, AND SALE OF LIQUID
HYDROCARBONS RECOVERED IN DRIP TRAPS
OR OTHER COLLECTING DEVICES WHICH
CONSTITUTE A PART OF GAS GATHERING
AND TRANSMISSION SYSTEMS.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on October 20, 1954, at Hobbs, New Mexico, and again on November 17, 1954, December 16, 1954, and January 13, 1955, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 26th day of August, 1957, the Commission, a quorum being present, having considered the testimony adduced at said hearings, and being fully advised in the premises,

FINDS:

(1) That due notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That "drip" should be defined as any liquid hydrocarbon incidentally accumulating in a gas gathering or transportation system.

(3) That the presence of drip in a gas gathering or transportation system retards the flow of gas and must be removed in order to efficiently operate the system.

(4) That drip is a valuable hydrocarbon which should not be wasted when it is economically feasible to salvage the same.

(5) That drip should be designated as a "legal" product in order to facilitate its sale and movement.

(6) That the gas transporter should file Commission Form C-110 designating the transporter authorized to remove the drip from its gas gathering or transportation system.

(7) That every person transporting drip within the State of New Mexico should file Commission Form C-112 each month, showing the amount, source, and disposition of all drip handled during the reporting period.

(8) That every person transporting drip directly from a gas gathering or transportation system should be required to file plats with the Commission locating and identifying each drip trap which he is authorized to service.

(9) That every person transporting drip directly from a gas gathering or transportation system should be required to keep a record of daily acquisitions from each drip trap which he is authorized to service, which records should be made available at all reasonable times for inspection by the Commission or its authorized representatives.

(10) That every gas transporter in the State of New Mexico should, within ninety (90) days after the effective date of this order, and annually thereafter, file maps of its gas gathering and transportation systems in the State of New Mexico, locating and identifying thereon each drip trap in said systems, said maps to be accompanied by a report showing the disposition being made of the drip from each of said drip traps.

IT IS THEREFORE ORDERED:

1. That every person presently engaged in transporting drip directly from a gas gathering or transportation system within the State of New Mexico shall file with the Commission, within thirty (30) days after the effective date of this order, a plat or plats, drawn to scale, locating and identifying each drip trap which he is authorized to service.

2. That every gas transporter in the State of New Mexico shall, within ninety (90) days after the effective date of this order, file with the Commission maps of its entire gas gathering and transportation systems within the State of New Mexico, locating and identifying thereon each drip trap in said systems, said maps to be accompanied by a report, on a form prescribed by the Commission, showing the disposition being made of the drip from each of said drip traps.

3. That the Oil Conservation Commission Rules and Regulations be and the same are hereby amended to include Rule 314 as follows:

RULE 314. GATHERING, TRANSPORTING AND SALE OF DRIP

(a) "Drip" is defined as any liquid hydrocarbon incidentally accumulating in a gas gathering or transportation

system.

(b) The waste of drip is hereby prohibited when it is economically feasible to salvage the same.

(c) The movement and sale of drip is hereby authorized, provided the provisions of this Rule are complied with.

(d) No drip shall be transported nor sold until the gas transporter has filed Commission Form C-110 designating the drip transporter authorized to remove the drip from its gas gathering or transportation system.

(e) Every person transporting drip within the State of New Mexico shall file Commission Form C-112 each month, showing the amount, source, and disposition of all drip handled during the reporting period, and such other reports as may hereafter be required by the Commission.

(f) Prior to commencement of operations, every person transporting drip directly from a gas gathering or transportation system shall file with the Commission plats drawn to scale, locating and identifying each drip trap which he is authorized to service.

(g) Every person transporting drip directly from a gas gathering or transportation system shall keep a record of daily acquisitions from each drip trap which he is authorized to service, which records shall be made available at all reasonable times for inspection by the Commission or its authorized representatives.

(h) Every gas transporter in the State of New Mexico shall, on or before the first day of November of each year, file with the Commission maps of its entire gas gathering and transportation systems within the State of New Mexico, locating and identifying thereon each drip trap in said systems, said maps to be accompanied by a report, on a form prescribed by the Commission, showing the disposition being made of the drip from each of said drip traps.

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

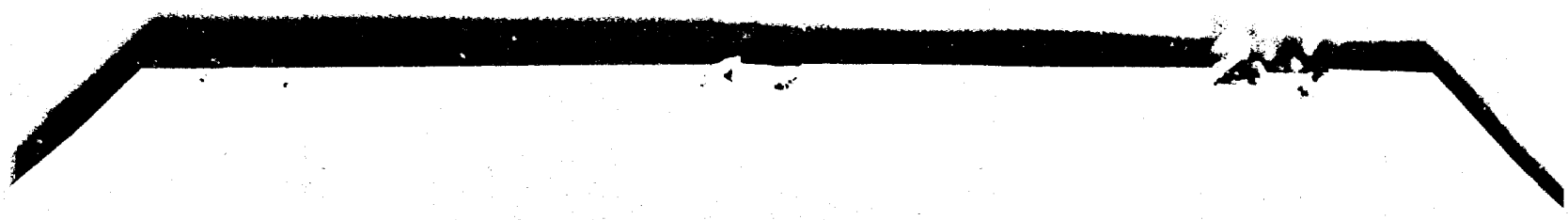
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

MURRAY E. MORGAN, Member

A. L. PORTER, Jr., Member & Secretary

ir/



CASE 779: OCC application for regulation relating to drip gasoline and trap oil

AGE	Formation	Pool	POOL TOTAL GAS 1953	POOL TOTAL GAS Cumulative 1-1-54	POOL TOTAL OIL 1953	POOL TOTAL OIL Cumulative 1-1-54	CUMULATIVE FORMATION GAS Totals	CUMULATIVE FORMATION OIL 1-1-54
Upper Cretaceous	Dakota	Hogback	-0-	-0-	74597	2979080		
"	"	Huerfano	71601	71601	* 2116	* 2116		
"	"	Lindrith	1887	9586	2222	10172		
"	"	Rattlesnake	8749	8749	19633	5025590		
					****2435	****254040		
"	"	Table Mesa	-0-	-0-	19070	993772		
"	"	Ute Dome	139112	13626165	-0-	**8065		
"	"	West Kutz	13687	13687	168	168		
"	"	Undesignated		486503		3565		
"	"	Lilly-Riddle #1 M-7-27-12	17453	17453	-0-	-0-	27428522	9296567
Jurassic	Entrada	Medio	-0-	-0-	700	700	-0-	700
Pennsylvanian	Hermosa Paradox	Barker	10014486	58330541	***10278	***29950		
"	"	Rattlesnake	-0-	-0-	-0-	489534		
"	"	Ute Dome	-0-	-0-	-0-	-0-	58330541	519484
Mississippian	Leadville	Undesignated Table Mesa Area				22033		22033
	Totals		97079459	297516835	835296	14141183	297516835	14141183
	Daily Average		265971		2288			

* Distillate
** Sweet condensate
***Sour Condensate
****Butane propane mix.

Note: The undesignated Dakota production is for S. Blanco, Huerfano and Angels Peak prior to 1953 and Oil Conservation Commission Dakota Pool designation. Gas volumes in MCF at 15.025 psia. Oil in 42 U. S. gallon barrels.

ELVIS A. UTZ, Gas Engineer
New Mexico Oil Conservation Commission
3/5/54

① Shell State L #1-L — Plans Ennice to Comment in SR
24-21-35 — Actually not on Ennice Schedule (Already plugged)

" 1A-L — already in Comment (oil)

② " State L #2A-X — already in Comment (oil)
1-21-35 — Ennice to Comment (TA)
Not TA but that was #2-X that will Send that when TA

Duals:

① Conoco Lockhart B-28 #3-L — Ennice to Comment (Q)
28-21-36 — DC {Y) SR - Gas / Q oil} Comment NSP-127 for 40Ac

② Cities Service State C #3-E — Ennice to Comment (Q)
16-21-36 — DC {SR Gas / Q oil} Comment NSP 160 Ac.

③ Chanin Superior State #1-K — Ennice to Comment (SR
12-21-35 — DC {Y SR Gas / oil} Comment NSP R-528

④ Daly & Exp. St. Lt. 2F #3-K — Ennice to Comment (Q)
19-21-36

⑤ Amerada State WEA #2-C — Ennice to Comment (SR)
12-21-35 — DC {Y SR Gas / Q oil} Comment 165 Ac NSP R-594
Already on duly authorized as Comment on file.

① Ohio State Hansen #4-11 — Monument to Comment (Q)
16-20-37

NFO issued on old Zone of Dual

① Superior State 12 #1-L — Ennice to Comment (SR)
12-21-35 — DC {USR Gas / LSR Oil} NFO #174

② Amerada State WEF #1-N — Ennice to Comment (LSR)
1-21-35 — NFO #91
DC {USR Comment NSP / LSR Comment 320 Ac.

③ " " WEE" #1-K — Ennice to Comment (Q)
13-21-35 — NFO #96
DC {SR Gas / Q oil} Comm LSP-35 for 320 Ac.

Wrong Location

① Shell State L #1-C — Ennice to Comment (Q)
1-21-35 — Should be Q position

② Daly & Exp. State LF 2F #2-I — Ennice to Comment (SR)
19-21-36 — Should be L position

Under Control of Operator

① [illegible] — [illegible] — Ennice to Comment (Q)
37-21-36 — Should be [illegible] without to [illegible] Comment
#1-D

Duals
(cont.)

⑥ Shell State H" #4-I Eunice to Eumont (SR)
13-21-37 DC { Y Grayburg / Q Grayburg } Eumont 160 Ac NSP

⑦ " " "H" #2-A Eunice to Eumont (Q)
13-21-37 DC { Y-Grayburg / Q Grayburg } Eumont 160 Ac NSP

⑧ " " "A" #2A Eunice to Eumont (Q)
12-21-37 DC { Y-SA Grayburg / Q Grayburg } Eumont 160 Ac NSP

⑨ " State-Dev. #1-G Eunice to Eumont (Q)
20-21-36 DC { Y-Grayburg / Q Grayburg } Eumont 160 Ac NSP

⑩ " State B' #1-E Eunice to Eumont (Q)
29-21-36 DC { Y SA-Grayburg / Q Grayburg } Eumont NSP 80 Ac

Rule 312, Subsection (c) of the Rules and Regulations of the Oil Conservation Commission be amended as follows:

None of the provisions of Paragraph (a) and (b) of this Rule are applicable to the recovery of wash-in oil, creek oil, pit oil, or scrubber oil where such oil is picked up and returned to the lease on which produced or where such oil is disposed of by the owner to an authorized purchaser or transporter and accounted for on Commission Form C-110. Provided, however, before any person other than the owner shall pick up, reclaim, salvage or transport wash-in oil, creek oil, pit oil, or scrubber oil, a permit to do so shall be obtained from the owner or operator of the lease, pipe line, or refinery and a permit from the duly authorized agent of the Commission. A purchaser or transporter desiring to obtain a permit to perform the services under Subsection (c) of this Rule shall:

1. File with the Commission a surety bond of performance satisfactory to the Commission, payable to the Commission of the State of New Mexico in the penal amount of $25,000.00.

2. A written application for a permit to transport shall be filed and a public hearing had thereon. All applications to show:

(a) The name and location of the lease, trap or pit;

(b) The number of well or wells from which the oil or drip was produced or the source of such oil or drip;

(c) The name of the owner, operator or manager of the lease, pipe line or refinery;

(d) Contracts of purchase, if any.

3. All permitees will be required to establish permanent storage facilities in the area called for in the permit and give the location thereof, such facilities to serve the area covered by the permit.

4. All permitees will be required to furnish the following evidence, to-wit:

(a) Run Tickets showing acquisition;

(b) Accumulation reports showing storage;

(c) C-110;

(d) Monthly reports.*

After the granting of a permit in the event the permitee is found guilty of violation of any of the Rules and Regulations of the Oil Conservation Commission or any of the laws of the State of New Mexico in regard to the production, sale and transportation of oil or drip gasoline, said permit shall be subject to cancellation without hearing. The Commission may suspend any permitee upon presentation of evidence of violation of the Rules and Regulations of the Commission; provided, however, that such suspension shall be temporary until the charges against the permitee are made known to the permitee and the hearing before the Commission must be granted the permitee within twenty days after the notification of the charges made, and should the Commission determine that the charges are well founded, the Commission may then enter its order cancelling the permit.

*Suggested forms of the four reports attached.

CLASS OF SERVICE

This is a full-rate Telegram or Cablegram unless its deferred character is indicated by a suitable symbol above or preceding the address.

WESTERN UNION

(19)

W. P. MARSHALL, PRESIDENT

SYMBOLS

DL = Day Letter

NL = Night Letter

LT = Int'l Letter Telegram

VLT = Int'l Victory Ltr.

MAIN OFFICE OCC

The filing time shown in the date line on telegrams and day letters is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination

1954 DEC 15 AM 9:13

LA28 DA138

File

1954 DEC 15 AM 8 43

D=MDA036 PD=MIDLAND TEX 15 915AMC=

THE NEW MEXICO OIL CONSERVATION COMMISSION=

SANTA FE NMEX=

IN REGARD TO CASE 779, THE ATLANTIC REFINING COMPANY URGES THE COMMISSION TO ADOPT THE FAMARISS OIL AND REFINING COMPANY'S PROPOSED AMENDMENT TO RULE 312, SUBSECTION (C) OF THE RULES AND REGULATIONS OF THE OIL CONSERVATION COMMISSION=

=THE ATLANTIC REFINING COMPANY R E HOWARD=

=779 312 (C) =

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

FINDS:

1. Waste is caused by burning of liquid hydrocarbons which have been accumulated in casinghead gas lines and hi-pressure lines.
2. There is not an accurate reporting of the volume of hydrocarbons being moved.

ORDERS.

1. Where economical & feasible, make an effort and save these liquid hydrocarbons and ~~keep~~ make accurate reporting of volumes produced, moved and disposition thereof.
2. Report on C-111 (Gas purchasers & transporters report) on monthly basis. Report volume from line of each gas transporter.
3. Each guy who transports drip should file C-110 (one only) authorizing individual to transport & collect drip.
4. Define - as any liquid hydrocarbon which is accumulated in gas transmission & gathering line.

Send copy of proposed order to Stout.

Drug Store File

Railroad Commission of Texas

OIL AND GAS DIVISION

AUSTIN, TEXAS

December 15, 1954

Mr. W. B. Macey, Secretary-Director
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Dear Bill:

First, let me congratulate you and possibly offer commiserations on your new job. In my opinion, your State is very fortunate in being able to replace a very good man with another very good man.

I am belatedly replying to your letter of November 26, 1954 in which you ask for an outline of procedure which the Commission follows with regard to movement of drip gasoline.

I am enclosing a copy of our Form GP-1, which is a gas processing plant monthly report and tender operations statement and I have shown by type of plant that this is "drip". Then down in Section VI I have checked the items which are usually filled in and in nearly all cases the liquid is crude oil or condensate; however, should it be another product, you will note other columns for gasoline, kerosene, etc. After this report is filed, the drip pay then be tendered to the refinery on either a Commission Form SW-3, which is a crude oil tender, or on Commission Form SW-4, which is a production tender, depending on the nature of the liquid. Copies of these forms are also attached.

We find that without adopting a new form for the small amount of drip collected over the State, that it was easier and so far has served our purpose by proceeding in the manner stated above.

Norman Woodruff with El Paso Natural Gas called me about this matter while he was in Santa Fe and I attempted to explain this over the phone and asked that he convey this information to you. If there is anything further you would like to know, please advise and if I can help you in any way, don't fail to call.

The best possible luck to you in your work.

Yours very truly,

Arthur H. Barbeck

Arthur H. Barbeck
Chief Engineer

AHB:cbr
encl.

RAILROAD COMMISSION OF TEXAS
OIL AND GAS DIVISION

Form GP-1
Rev. 8-1-52

GAS PROCESSING PLANT MONTHLY REPORT AND TENDER OPERATIONS STATEMENT

RRCT District No._____ Month of_____, 19____

Operator_____ Address_____

Plant Name_____ Field_____ County_____

Type of Plant DRIP Daily Average Intake Capacity of Plant_____

Avg. Intake Pressure_____ P.S.I.A. Avg. Tested GPM_____ Recovered GPM_____

REPORT ALL GAS VOLUMES IN MCF AT 14.65 PSIA PRESSURE AND 60° FAHRENHEIT IN ACCORDANCE WITH GAS MEASUREMENT LAW

SECTION I: INTAKE VOLUMES (MCF Monthly)

	SWEET	SOUR	CASINGHEAD	TOTAL
1. No. of Wells Produced				
2. Gas into Gathering System				
3. Deliveries from Gathering System				
4. Gathering System to Plant for Processing				
5. Plant Intake - From Plant Meters				
6. Loss or Gain - Diff. between Lines 4 & 5				
7. Refinery and Storage Vapors				
8. Gas from Other Sources				
9. Net Gas to Plant for Processing				

SECTION II: DISPOSITION OF UNPROCESSED GAS FROM GATHERING SYSTEM (MCF Monthly)

	SWEET	SOUR	CASINGHEAD	TOTAL
1. Fuel System and Lease Use				
2. Gas Lift				
3. Repressuring & Pressure Maintenance				
4. Other Processing Plants				
5. Carbon Black Plants				
6. Transmission Line				
7. Vented				
8. TOTAL				

SECTION III: DISPOSITION OF RESIDUE GAS (MCF Monthly)

1. Extraction Loss	5. Gas Lift	9. Other Process. Plants .....
2. Acid Gas	6. Repress. & Press. Maint.	10. Transmission Line .....
3. Plant Fuel	7. Cycled	11. Vented .....
4. Fuel & Lease	8. Carbon Black Plants	12. TOTAL .....

SECTION IV: PLANT PRODUCTION (Barrels Monthly)

1. Condensate	5. Butane	9. _____ .....
2. Crude Oil	6. Propane	10. _____ .....
3. Gasoline	7. Iso-Butane	11. _____ .....
4. Kerosene	8. Iso-Pentane	12. TOTAL .....

SECTION V: TENDER OPERATIONS STATEMENT (List Tenders in Numerical Order)

ACTUAL RECEIPTS			ACTUAL DELIVERIES			
COMMODITY	TENDER NO.	BBLS. RECEIVED	COMMODITY	TENDER NO.	AMT. OF TENDER	BBLS. DELIVERED
TOTALS						

SECTION VI: BARRELS

	CRUDE OIL CONDENSATE	GASOLINE	KEROSENE	BUTANE	PROPANE	OTHER	TOTAL
1. Opening Tender Balance	✓						
2. Frozen Stock							
3. Total Opening Stock	✓						
4. Received							
5. Produced	✓						
6. Delivered	✓						
7. Loss	✓						
8. Total Closing Stock	✓						
9. Frozen Stock							
10. Closing Tenderable Bal.	✓						

Railroad Commission Serial Number_____ Approved this_____ day of_____, 19____
RAILROAD COMMISSION OF TEXAS

Void after 7:00 A. M._____, 19____ By_____

(OVER)

SECTION VII: REPORT OF GAS INJECTED - REPRESSURING, PRESSURE MAINTENANCE AND CYCLING

FIELD & RESERVOIR	WELL OWNER	LEASE	WELL NO.	INJECTION PRESSURE	MCF MONTHLY
		TOTAL:		X X X X	

SECTION VIII: DETAIL OF SALE OF GAS - EXCEPT FUEL SYSTEM AND LEASE USE (MCF Monthly)

NAME OF PURCHASER	USE SOLD FOR	UNPROCESSED GAS	RESIDUE GAS

SECTION IX: REMARKS

1. Reason for Venting Unprocessed Gas _____
2. Reason for Venting Residue Gas _____
3. _____

SIGNED..... By..... Title.....

THE STATE OF TEXAS)

COUNTY OF _____)

BEFORE ME, The undersigned authority, on this day personally appeared _____, known to be the person whose name is subscribed to the above instrument, who, being by me duly sworn, on oath states that he is duly authorized to make the above report and that he has knowledge of the facts stated therein and that said report is true and correct; and that such Hydrocarbon Liquids were received and tendered for shipment in accordance with the conservation Laws of the State of Texas and the rules and regulations of the Railroad Commission of Texas and he further states that they are entitled to tender for shipment the amount of stock as shown on this report, and that no Crude Oil nor Hydrocarbon Liquids in addition to that shown in this report was received, delivered, handled or processed during the reporting period.

SUBSCRIBED AND SWORN TO BEFORE ME this _____ day of _____, 19___.

_____

Notary Public in and for _____ County, Texas

INSTRUCTIONS

1. This report shall be filed in four (4) duplicate originals with the Deputy Supervisor of the Railroad Commission of Texas for the District in which the Plant is located as soon after the first of the Month as possible for the preceding Month, and never later than the Twenty-Fifth of the month.
2. This report is required of all Plants extracting Hydrocarbon Liquids from Natural Gas. All Gas Volumes must be reported at a Base Pressure of 14.65 pounds per square inch absolute and a Base Temperature of 60 degrees fahrenheit. All liquid quantities shown on this report shall be in barrels of 42 U. S. Gallons based on actual physical guages computed from 100% U. S. Tank Tables or other method of measurement approved by the Commission and corrected from the temperature at the time of measurement to a standard temperature of 60 degrees fahrenheit. Do not use fractions of thousands of cubic feet of gas, or fractions of barrels of liquid on this report.
3. The Address as required on this report shall be clear and definite as to Street Number, City and State.
4. In Section I show total volume of gas into Gathering System: Deliveries from Gathering System (including Venting); the remaining volume to plant for processing; the actual plant Intake; the Loss or Gain in volume which is the difference between Lines 4 and 5; Net Gas to plant for processing is Total of Lines 5, 7 and 8.
5. In Section II show the disposition of deliveries from the Gathering System.
6. In Section III "Disposition of Residue" show as follows: **Fuel & Lease** - Gas used by yourself, sold, or given to others for use in Field Operations, or for use in Lease Dwellings and other Domestic uses; **Gas Lift** - Gas used, sold, or given for injection into Oil Wells to Lift Oil; **Repressuring and Pressure Maintenance** - Gas used, sold, or given to maintain or build up Reservoir Pressure through an Injection Well; **Cycling** - Gas returned to original nonassociated Gas Reservoirs after extraction of Liquid Hydrocarbons; **Carbon Black** - Gas used, sold, or given for the manufacture of Carbon Black; **Transmission Line** - Gas Lines, operated by Natural Gas Companies (Public Utilities).
7. In Section VII report the Volumes of Gas which are returned to Reservoirs in Pressure Maintenance, Repressuring, or Cycling operations. Show the Volume for each Well. If more space is needed use Form GP-3.

RAILROAD COMMISSION OF TEXAS
OIL AND GAS DIVISION

Form SW-3
Crude Oil Tender

FROM.....
(Name of Shipper)

HEREBY TENDERS

FIELD.....Operations Month of....., 19..... COUNTY.....

TO: ..... At.....
(Name of Person) (Show Point of Receipt Here)

.....Barrels of Crude Oil.

The above mentioned oil has been or will be received under authority of tender No.....Approved or registered by the Railroad Commission of Texas on the.....day of....., 19....., or other shipping papers as follows:

.....

.....

.....

.....

If any part of the oil tendered hereunder was produced outside of Texas, state the amount of such oil here.....bbls.

Executed this.....day of....., 19.....

.....

.....
(Affiant)

STATE OF TEXAS
COUNTY OF .....

Before me, the undersigned authority, on this day personally appeared.....known to me to be the person whose name is subscribed to the above instrument, who, being by me duly sworn, on oath, states that he is duly authorized to make the above report, and that he has knowledge of the facts stated therein and that said report is true and correct; that such oil is tendered for shipment in accordance with the Conservation laws of the STATE OF TEXAS and the Rules and Regulations of the Railroad Commission of Texas adopted pursuant thereto; and he further states that the oil tendered hereunder has not been tendered by affiant into the custody or control of any other pipe line, railway or other transporter or handler of oil.

Subscribed and sworn to before me this the.....day of....., 19.....

.....

Notary Public in and for.....County, Texas.

APPROVED
REJECTED
This.....day of....., 19.....

RAILROAD COMMISSION OF TEXAS

COMMISSION'S SERIAL NUMBER SW-3.

By.....
Agent

VOID AFTER 7:00 A. M.....19.....

INSTRUCTIONS: Form SW-3 is to be used for any transfer of possession or control within or from the State of Texas of oil imported and/or lawfully produced in said State. The consignor shall be required to execute under oath four duplicate originals of the report on Form SW-3 and to file the same in the office of the Railroad Commission of Texas designated to receive such reports. The Commission's Agent, in such office, shall examine the same and place on each copy of said report on Form SW-3, the Commission's serial number and date of such registration and place thereon signature of approval or disapproval. The Commission shall retain two copies of report on Form SW-3 and return two copies thereof to the shipper, one of which copies the shipper shall deliver to the transporter. In the event a Tender on Form SW-3 is registered with the Commission to cover future deliveries on a forecast the Commission through its duly authorized agent shall indicate on such Tender the time when same shall expire and it shall not be necessary for a registered copy of the Tender to accompany each shipment; provided the transporter carrying the oil described in the Tender has received a registered copy of the Tender before accepting such oil for transportation. The first person receiving oil for transportation shall, if it is not a pipe line, stamp on the shipper papers the following: "This shipment is covered by Tender No....., registered with the Railroad Commission of Texas on the.....day of....., 19....." (number and date shall be filled in by such transporter to identify the Commission's tender.) No person transporting oil shall receive any more than is covered by the tender nor any different commodity than is specified in the Tender. Each connecting carrier may rely on the stamp describing the tender, except when the crude oil is received from a pipe line, in which case the delivering pipe line will be required to procure an additional tender before making delivery of the shipment, but shall not receive any more crude oil than is covered by the shipping papers or tender and shall not receive any different commodity than crude oil. Where oil transported was received by the shipper or transporter from without the state, the person making the report on Form SW-3 shall show that such oil was produced outside of the State of Texas.

Location of Plant.....Operations Month of.....194..... FORM SW-4

SW-6 Serial No..... OIL PRODUCTS TENDER

RAILROAD COMMISSION OF TEXAS

OIL AND GAS DIVISION

FROM.....
(Name of Shipper)

HEREBY TENDERS TO

TO:..... At .....
(Name of Person) (Receiving Point)

.....Barrels of.....
(State Name of Product)

.....Barrels of.....
(State Name of Product)

.....Barrels of.....
(State Name of Product)

.....Total Barrels of Products.

The above mentioned product is now or will be in tanks at.....
(Give Exact Location of Tanks)

Town ..... County....., Texas, owned by

.....

Said product was or will be produced from.....

.....

received by authority of approved or registered tenders, as follows:.....

.....

.....

said tender or tenders being on record with the Railroad Commission.

.....

.....

STATE OF TEXAS | Before me, the undersigned authority, on this day personally

COUNTY OF..... | appeared .....

known to me to be the person whose name is subscribed to the above instrument, who, being by me duly sworn, on oath states that he is duly authorized to make the above report and that he has knowledge of the facts therein and that said report is true and correct; that such products were manufactured and are tendered for shipment in accordance with the Conservation Laws of the State of Texas and the rules and regulations of the Railroad Commission of Texas adopted pursuant thereto; and he further states that the product tendered hereunder has not been tendered by the affiant into the custody or control of any other pipe line company, railway or other transporter or handler of refined products.

Subscribed and sworn to before me this the.....day of..... 194.....

.....

Notary Public in and for..... County, Texas

Railroad Commission
Serial Number SW4—.....

APPROVED
REJECTED

This ..... day of ....., 194 .

RAILROAD COMMISSION OF TEXAS

Void after 7:00 A. M..... .....,194..... By..... (Agent)

(SEE INSTRUCTIONS ON REVERSE SIDE HEREOF)

FORM SW-4

INSTRUCTIONS

No person shall ship or cause to be shipped any product from any oil field or from any refinery, topping plant, blending plant, gasoline plant, or other plant at which a product is manufactured or processed situated within the State of Texas unless and until such person has obtained a permit covering such shipment issued in conformity with the provisions of this order.

No person shall receive any product for transportation or transport any product from any oil field or from any refinery, topping plant, blending plant, gasoline plant, or other plant at which a product is manufactured or processed situated within the State of Texas unless and until such person has been furnished a permit covering such shipment issued in conformity with the provisions of this order.

A permit may be issued where the destination or consignee of products covered by the permit is unknown at the time of application, but no permit may be issued which names more than one initial transporting agency. A permit may be issued to cover more than one delivery, or to cover deliveries on a forecast to meet requirements of the shipper. In the event a permit is issued to cover future deliveries on a forecast of a shipper the Commission shall indicate on such permit the date same shall expire, (such date of expiration shall be not later than the end of the calendar month during which the shipments are authorized), and it shall not be necessary for an approved copy of the permit to accompany each shipment, provided, however, that the transporter carrying by railroad or pipe line the product described in the permit has received an approved copy of the permit before accepting any of such product for transportation, and provided a transporter by boat or barge carrying the products described in a tender must receive an approved copy of a tender or a shipping paper bearing the date and serial number of the tender before accepting such product for transportation. A transporter by truck or motor vehicle shall comply with the provisions of Section five (V) of this order. A forecast tender to cover shipments to be made during all or part of a calendar month may be obtained not earlier than the 20th day of the next preceeding month. If loading a vessel is begun during a calendar month and completed during the next calendar month, the shipper may treat the entire cargo as having been shipped during the calendar month in which loading commenced.

The shipper of products shall file in the office of the Commission located in the district from which such products are to be shipped four (4) duplicate original copies executed by the shipper or his duly authorized agent of his application on report Form SW-4. Each application for permit must be on file with the Commission twelve (12) hours before the same shall be considered except in cases of emergency. Two copies of the report filed by the shipper, if approved, shall be retained by the Commission and two copies returned to the maker of the report, such shipper retaining one copy and delivering one copy to the transporting agency authorized to transport such product. Before such permit shall be issued by the Commission, the shipper is required to show in his application on Form SW-4 the information required to be reported on said form.

If the product tendered is casinghead or natural gas gasoline, the applicant must state the name and location of the plant where such gasoline was produced, the names and location of the leases from which the casinghead gas supplying said plant was obtained and the names of the operators of said leases.

Transferred to Plant	PURCHASED DELIVERED FOR THE ACCOUNT OF		Well	Sec.	Twp	Rge.	Date
							Case No 7795
To Receiving Tank No.			Tank Number				
	PRODUCER	LEASE					
First Measurement: Feet / Inches	Overflow Seal No.	Gravity Indicated by Hydro-Meter @ Temp.	First Measurement: Feet / Inches				Calculations
Second Measurement: Feet / Inches	Bleeder Seal No.	Gravity Corrected to 60° F	Second Measurement: Feet / Inches				
	Pipe Line Seal Numbers Off / On	Time First Measurement	Temp Oil in Tank				
REMARKS		Second Measurement	Tank Sample B S & W %				
		Shut Off Date	Net Barrels Oil				
First Gauge: GAUGER / OWNER'S WITNESS		Last Gauge: GAUGER / OWNER'S WITNESS					

OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

For the period from _____ to _____

Operator _____ Address _____

Lease _____ Sec. _____ T. S. _____ Rge. _____

Stock on hand - Beginning of Period		
Acquisitions - Gross		
Deduct, Losses on acquisitions		
Acquisitions - Net		
Total		
Pipeline runs - Net		
Add, Losses on pipeline runs		
Pipeline runs - Gross		
Total product available (Stock on hand - End of period)		
Deduct, Stock below pipeline connection		
GROSS ALLOWABLE REQUIRED		
Deduct, Balance not run of Gross Allowable authorized by C-110 dated _____		
NET ALLOWABLE REQUIRED		

Schedule of Acquisitions and Pipeline Runs
(Tickets Attached)

Date	Ticket	Company	Acquisitions	Pipeline Runs

(If further space is required, attach schedule)

TOTALS

Signed: _____

By: _____

STATE OF NEW MEXICO)
COUNTY OF _____)

Before me, the undersigned authority, personally appeared _____ known to me to be the _____ of the plant filing the above report who upon his oath says that the above and foregoing report including attached papers is complete and each statement therein contained is true and correct, and that no oil or the products thereof was received, delivered, processed, reclaimed, blended, treated or on hand at the beginning or end of the reported period, in addition to that shown during the above reported period; and that said reporting firm is entitled to C-110 for shipment of the tenderable stock at the end of the period covered and as shown by this report.

SUBSCRIBED AND SWORN TO BEFORE ME, THIS _____ day of _____, 19____

Approved Date _____

BY: _____
FOR: OIL CONSERVATION COMMISSION

_____
Notary Public in and for _____
County, New Mexico
My Commission Expires: _____

OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Monthly Report of Operations for _____, 19___

Operator _____ Address _____

Lease _____ Sec. _____ T.S. _____ Rge. _____

Stock on hand - Beginning of period		_____
Acquistions - Gross	_____	
Deduct, Losses on acquistions	_____	
Acquistions - Net		_____
Pipeline runs	_____	
Add, Losses on pipeline runs	_____	
Pipeline runs - Gross		_____
Stock on hand - End of period		_____
Represented by:		
Stock below pipeline connection	_____	
Gross Allowable requested by C-110 dated _____	_____	
Total		_____

Signed: _____

By: _____

STATE OF NEW MEXICO)
COUNTY OF _____)

Before me, the undersigned authority, personally appeared _____ Known to me to be the _____ of the plant ftling the above report who upon his oath says that the above and foregoing report including attached papers is complete and each statement therein contained is true and correct, and that no oil or the products thereof was received, delivered, processed, reclaimed, blended, treated or on hand at the beginning or end of the reported period, in addition to that shown during the above reported period.

SUBSCRIBED AND SWORN TO BEFORE ME, THIS _____ day of _____, 19___

_____

Notary Public in and for _____
County, New Mexico

Seal

My Commission Expires: _____

DATE 12-14-54
TIME RELEASED
DICTATED BY RJA
CHARGE

TELEGRAM

CONFIRMATION

SEND AS Straight Wire

SEND TO
The New Mexico Oil Conservation Commission
Santa Fe, New Mexico

In regard to Case 779, The Atlantic Refining Company urges the Commission to adopt the Famariss Oil and Refining Company's proposed amendment to Rule 312, Subsection (c) of the Rules and Regulations of the Oil Conservation Commission.

THE ATLANTIC REFINING COMPANY

R. E. Howard

1-10 1-45

CLASS OF SERVICE

This is a full-rate Telegram or Cablegram unless its deferred character is indicated by a suitable symbol above or preceding the address.

WESTERN UNION

W. P. MARSHALL, PRESIDENT

FX-1201

MAIN OFFICE OGC (26)

SYMBOLS

DL=Day Letter
NL=Night Letter
LT=Int'l Letter Telegram
VLT=Int'l Victory Ltr.

1954 DEC 13 PM 1 35

1954 DEC 13 PM 1 35

The filing time shown in the date line on telegrams and day letters is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination

LA08 SSM125 1:41

L=HBA106 PD=HOBBS NMEX 13 120PMM=

BILL MACEY=

OIL CONSERVATION COMMISSION SANTA FE NMEX=

IF CONVENIENT TO YOU AND COMMISSION WILL APPRECIATE CONSIDERATION OF DRIP GASOLINE ORDER EARLY ON THURSDAY SO I MAY RETURN TO HOBBS ON AFTERNOON PLANE REQUEST DUE TO PRESSING BUSINESS=

WALTER FAMARISS=

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

DOMESTIC SERVICE

Check the class of service desired; otherwise this message will be sent as a full rate telegram

FULL RATE TELEGRAM	
DAY LETTER	
NIGHT LETTER	

$ S E

WESTERN UNION

W. P. MARSHALL, PRESIDENT

1206 10-51

INTERNATIONAL SERVICE

Check the class of service desired; otherwise the message will be sent at the full rate

FULL RATE	
LETTER TELEGRAM	
SHIP RADIOGRAM	

NO. WDS.-CL. OF SVC.	PD. OR COLL.	CASH NO.	CHARGE TO THE ACCOUNT OF	TIME FILED
			OIL CONSERVATION COMMISSION	

Send the following message, subject to the terms on back hereof, which are hereby agreed to

MR WALTER FAMARISS
FAMARISS REFINING COMPANY
HOBBS N M

DEC 13 1954

REQUEST WILL BE HONORED PROVIDED NO VALID OBJECTION RECEIVED

FROM OTHER INTERESTED PARTIES.

W B MACEY

(Note: Telephoned to WU 4:45 pm 12-13-54 - nr)

ALL MESSAGES TAKEN BY THIS COMPANY ARE SUBJECT TO THE FOLLOWING TERMS:

To guard against mistakes or delays, the sender of a message should order it repeated, that is, telegraphed back to the originating office for comparison. For this, one-half the unrepeated message rate is charged in addition. Unless otherwise indicated on its face, this is an unrepeated message and paid for as such, in consideration whereof it is agreed between the sender of the message and the Telegraph Company as follows:

1. The Telegraph Company shall not be liable for mistakes or delays in the transmission or delivery, or for non-delivery, of any message received for transmission at the unrepeated-message rate beyond the sum of five hundred dollars; nor for mistakes or delays in the transmission or delivery, or for non-delivery, of any message received for transmission at the repeated-message rate beyond the sum of five thousand dollars, unless specially valued; nor in any case for delays arising from unavoidable interruption in the working of its lines.

2. In any event the Telegraph Company shall not be liable for damages for mistakes or delays in the transmission or delivery, or for the non-delivery, of any message, whether caused by the negligence of its servants or otherwise, beyond the actual loss, not exceeding in any event the sum of five thousand dollars, at which amount the sender of each message impliedly does the message is valued, unless a greater value is stated in writing by the sender thereof at the time the message is tendered for transmission, and unless the repeated-message rate is paid or agreed to be paid and an additional charge equal to one-tenth of one per cent of the amount by which such valuation shall exceed five thousand dollars.

3. The Telegraph Company is hereby made the agent of the sender, without liability, to forward this message over the lines of any other company when necessary to reach its destination.

4. Except as otherwise indicated in connection with the listing of individual places in the filed tariffs of the Telegraph Company, the amount paid for the transmission of a domestic telegram or an incoming cable or radio message covers its delivery within the following limits: in cities or towns of 5,000 or more inhabitants where the Telegraph Company has an office which, as shown by the filed tariffs of the Telegraph Company, is not operated through the agency of a railroad company, within two miles of any open main or branch office of the Telegraph Company; in cities or towns of 5,000 or more inhabitants where, as shown by the filed tariffs of the Telegraph Company, the telegraph service is performed through the agency of a railroad company, within one mile of the telegraph office; in cities or towns of less than 5,000 inhabitants in which an office of the Telegraph Company is located, within one-half mile of the telegraph office. Beyond the limits above specified the Telegraph Company does not undertake to make delivery but will endeavor to arrange for delivery as the agent of the sender, with the understanding that the sender authorizes the collection of any additional charge from the addressee and agrees to pay such additional charge if it is not collected from the addressee. There will be no additional charge for deliveries made by telephone within the corporate limits of any city or town in which an office of the Telegraph Company is located.

5. No responsibility attaches to the Telegraph Company concerning messages until the same are accepted at one of its transmitting offices; and if a message is sent to such office by one of the Telegraph Company's messengers, he acts for that purpose as the agent of the sender.

6. The Telegraph Company will not be liable for damages or statutory penalties when the claim is not presented in writing to the Telegraph Company, (a) within ninety days after the message is filed with the Telegraph Company for transmission in the case of a message between points within the United States (except in the case of an intrastate message in Texas) or between a point in the United States on the one hand and a point in Alaska, Canada, Mexico, or St. Pierre-Miquelon Islands on the other hand, or between a point in the United States and a ship at sea or in the air, (b) within 95 days after the cause of action, if any, shall have accrued in the case of an intrastate message in Texas, and (c) within 180 days after the message is filed with the Telegraph Company for transmission in the case of a message between a point in the United States and a foreign or overseas point other than the points specified above in this paragraph; provided, however, that this condition shall not apply to claims for damages or overcharges within the purview of Section 415 of the Communications Act of 1934, as amended.

7. It is agreed that in any action by the Telegraph Company to recover the tolls for any message or messages the prompt and correct transmission and delivery thereof shall be presumed, subject to rebuttal by competent evidence.

8. Special terms governing the transmission of messages according to their classes, as enumerated below, shall apply to messages in each of such respective classes in addition to all the foregoing terms.

9. No employee of the Telegraph Company is authorized to vary the foregoing.

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CLASSES OF SERVICE

DOMESTIC SERVICES

FULL RATE TELEGRAM

A full rate expedited service.

DAY LETTER (DL)

A deferred service at lower than the full rate

NIGHT LETTER (NL)

Accepted up to 2 A. M. for delivery not earlier than the following morning at rates substantially lower than the full rate telegram or day letter rates.

INTERNATIONAL SERVICES

FULL RATE (FR)

The standard fast service at full rates. May be written in any language that can be expressed in Roman letters, or in secret language. A minimum charge for 5 words applies.

LETTER TELEGRAM (LT)

Overnight plain language messages. Minimum charge for 22 words applies

SHIP RADIOGRAM

A service to and from ships at sea. Plain or secret language may be used. Minimum charge for 5 words applies.

C-779

PERMIT AGREEMENT

THIS PERMIT AGREEMENT, made and entered into as of the 24th day of June, 1954, by and between PERMIAN BASIN PIPELINE COMPANY, a Delaware corporation, hereinafter called "Permian" and JOSEPH S. NEWMAN of 1308 Yucca Drive, Hobbs, New Mexico, hereinafter called "Newman,"

WITNESSETH:

WHEREAS, Permian is the owner of natural gas gathering pipelines situated and operated, in part, in Lea County, New Mexico, and

WHEREAS, in the operation of said pipelines it becomes necessary to connect drips thereto for the purpose of accumulating condensate which separates in liquid form from the natural gas transmitted through said lines, which condensate must be discharged from said drips at frequent intervals, and

WHEREAS, a variable proportion of said condensate is what is commonly known as "drip gasoline," and

WHEREAS, Newman desires to collect said condensate from said drips and to dispose of same as his own property;

NOW THEREFORE, Permian and Newman agree as follows:

1. That subject to the terms, provisions and conditions hereinafter set forth Newman is hereby permitted to and shall collect said condensate from said drips as often as shall be necessary in order to prevent the overflow of such drips and the consequent restriction of gas flow in the pipelines and shall dispose of such condensate as his own property, and for that purpose Permian hereby consents to access and ingress to said drips and egress from the same by Newman.

2. That attached hereto, and by this reference made a part hereof, is Exhibit "A" which exhibit indicates those drips from which Newman is to collect condensate.

3. That Permian shall not in any manner be liable or responsible to Newman in the event the collection of said condensate, or access, ingress or egress of Newman to or from said drips is in any manner interrupted, delayed, interfered with or prevented by persons other than employees of Permian.

4. That Newman shall have the full responsibility for gathering, storing, using, selling or dealing in any manner whatsoever with said condensate, and Permian shall be relieved of all liability of whatsoever nature resulting from the using, handling, storing, selling and gathering of said condensate, and Newman shall be solely responsible for the same and shall indemnify, save and hold harmless Permian from and against any and all claims for damages to persons or property, including all such claims of the owners, tenants or occupants of the land upon which said drips are located which may arise out of the operations of Newman, his employees and agents hereunder.

5. That in collecting said condensate neither Newman nor his agents or employees shall become an agent, employee or representative of Permian nor shall they perform any services for or under the direction or control of Permian, but, with respect to this permit and agreement, shall be as an independent contractor with a permit to collect said condensate from Permian's drips and dispose thereof.

6. Newman shall maintain such records as shall be adequate to [illegible] the quantities and types of residue which [illegible] the various drips from which condensate is collected by Newman hereunder, and shall furnish to Permian a weekly report showing the kind and quantity of residue collected from each of said drips. Permian shall have the right at any time to have access to the records which Newman keeps in or the terms hereof and shall also have the right to send a representative to accompany Newman or his employees at any time when said residue is being collected.

7. Newman shall secure such permits, approvals or certificates as may be required by any state or federal regulatory authorities in connection with the collection, use and ownership of said drip gasoline by Newman, and Newman hereby relieves Permian from the payment of any fees, taxes or costs as are or may be imposed or ascertained by any of such authorities on the collection, use or ownership of said condensate.

8. That the parties hereto understand that the ownership of said condensate as is taken from the drips specified in Exhibit "A" shall be vested in Newman, and Permian shall have no right, title or claim thereto excepting such right of disposal as is given Permian in paragraph 12. hereof.

9. This Permit Agreement shall be in force and effect for a period ending one (1) year from the date of the execution of same; provided, however, that either party hereto may terminate this agreement before such expiration date by giving the other party six (6) months' written notice of such intention to terminate.

10. In the event that the United States Government or the State of New Mexico or any political subdivision of either shall pass legislation or promulgate regulations prohibiting the taking of said condensate as set out in this Permit Agreement, then, and in that event, this Permit Agreement shall be null and void and not be binding on either party.

11. Newman shall maintain such insurance as will afford protection from any claims that may arise under any workmen's compensation law for injuries to employees of Newman, and Newman shall maintain such other insurance as will protect the parties hereto from any claims for damages for personal injury or damage to property which may arise from the operations of Newman or any of his employees or agents under the terms of this Permit Agreement. Evidence of such insurance in such form as Permian may require shall be delivered to Permian and such insurance shall be subject to the approval of Permian for adequacy of protection and shall afford the following minimum coverage:

A.	Workmen's Compensation	Statutory
B.	General Public Bodily Injury Liability	$50,000 each person $100,000 each accident
C.	General Public Property Damage	$25,000 each accident
D.	Automobiles and Trucks:	
	Public Bodily Injury Liability	$50,000 each person $100,000 each accident
	Public Property Damage	$50,000 each accident

Irrespective of the insurance to be carried by Newman, the insolvency, bankruptcy or failure of any insurance company carrying insurance of Newman, or the failure of any insurance company to pay any claim accruing shall not be held to waive any of the provisions of this Permit Agreement.

12. Permian reserves the right to empty said drips and dispose of the contents thereof without notice, responsibility or liability to Newman when and if it is found that Newman has not collected said condensate and if, in the sole judgment of Permian, such is necessary or desirable for the proper operation of its pipelines.

13. This Permit Agreement shall not be assignable by either party without the written consent of the other.

14. Newman acknowledges that he enters upon the operation of this Permit Agreement with the full knowledge and understanding of the dangers involved in the draining of said drips and the collection of condensate therefrom, and Newman assumes all responsibility for himself, his employees and agents and their safety when collecting said condensate under the terms of this Permit Agreement.

Executed as of the day and year first above written.

JOSEPH S. NEWMAN

"Newman"

Joseph S. Newman
Joseph S. Newman

PERMIAN BASIN PIPELINE COMPANY

"Permian"

By M. L. Mast
Vice President

WITNESS:

Barbara R. Johnson

ATTEST:

Rachel Lem
Assistant Secretary

Memo

From

To Bill, This should be simple enough. Return it with whatever comments you have, please.

The reason for reviewing the case is that some of the ~~two~~ purchasers are insisting on specific wording on the movement of drip.

Looks OK to me. I'd put "drip" in quotes through the order (over)

Thanks

Pete

Memo

From OFFICE OCC

1987 APR 14 AM 10:08

To Bill, Shit Sims

Simple enough. Return
it with whatever comments
you have, please.

The reason for revising
the case is that some
of the ~~two~~ purchasers are
existing or specific
rules on the movement
of drip.

Looks OK
To me. I'd
put "drip" in
quotes through
the order
(over)

Thanks

Pete

Lea County Drip Company

DAILY TRUCK TICKET

№ 102

Unit Number ..... Date .....

Pipeline Company .....

Drip Number	Oil	Water	Remarks

Destination: ..... Tank No. .....

Closing Gauge .....

Opening Gauge .....

Total Load .....

Driver .....

Driver .....

W. D. GIRAND
LAWYER
231 LEA COUNTY STATE BANK BUILDING
HOBBS, NEW MEXICO

TELEPHONE:
EXPRESS 3-9116
POST OFFICE BOX 1445

May 11, 1957.

Mr. Randall Montgomery,
Oil Conservation Commission,
Hobbs, New Mexico.

Dear Sir:

It is my suggestion that in addition to the proposed findings in Case No. 779, the Commission make the following additional findings:

"That the gas transporter file with the Commission map or maps showing all gathering and main trunk pipe line systems identifying all drips located upon said lines."

"That the gas transporter file within one hundred twenty days (120) from the effective date of this Order a Report showing the disposition of all condensate trapped in all drips."

"That the gas transporter furnish to the Commission for its approval all contracts covering the servicing and disposal of accumulations from the drips."

"That all purchasers of drips be required to report volumes acquired by drip."

I further suggest that the order part of the proposed Order be revised as follows: that sub (c) be changed to include sub (f)(g)(h). That sub-paragraph (f) be added:

(f) That the gas transporter shall file within one hundred twenty (120) days after the effective date of this Order a plat showing all gathering lines and main transmission lines and locating thereon all drips used in connection therewith.

(g) That all contracts for the sale of drip fluids or for the gathering thereof be furnished to the Commission for approval.

C-113

(h) That the purchaser of all drip fluids file a monthly report reporting the amount of fluids recevered by drip. Provided that should the drips not be serviced, the gas transporter report to the Commission the disposition of all drip products by drip.

Very truly yours,

W. D. GIRAND.

G/bc

OIL CONSERVATION COMMISSION
P. O. BOX 871
SANTA FE, NEW MEXICO

November 26, 1954

Mr. Arthur Barbeck
Railroad Commission of Texas
Oil and Gas Division
Tribune Building
AUSTIN, TEXAS

Dear Sir:

This Commission has recently been confronted with the problem of prescribing rules and regulations pertaining to the movement of drip gasoline. This case, which has been continued twice, is important to us because it involves considerable volume of "drip."

We do not want to impose regulations which are impossible or difficult to enforce, but at the same time feel that some effective control should be maintained over this product.

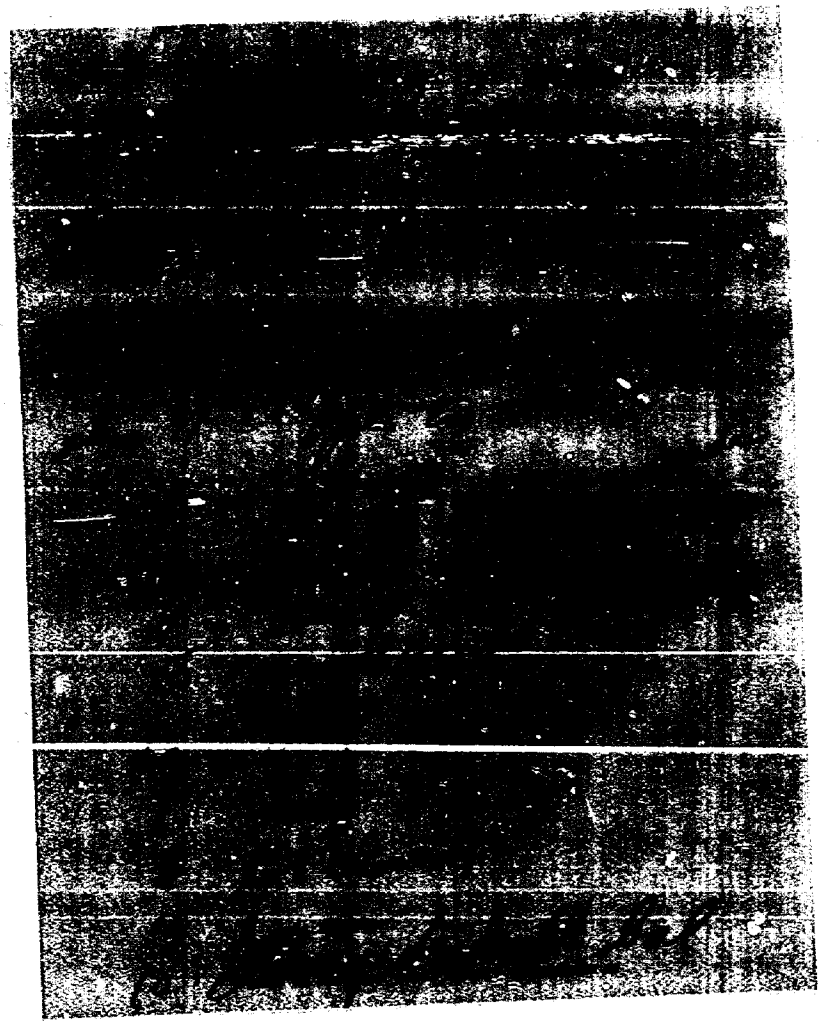
I would appreciate it very much if you would furnish me with an outline of the procedure which your Commission follows in authorizing the movement of drip gasoline from the time it is collected in "drips" until it is moved ultimately to the refiner. Copies of any forms which you require in connections with this matter will also be very helpful.

With best personal regards,

Sincerely,

W. B. Macey
Secretary-Director

WBM:nr



(Form C-112)
(Revised 7/1/58)

OIL CONSERVATION COMMISSION
State of New Mexico

Sheet 1

TRANSPORTER'S AND STORER'S MONTHLY REPORT

Report of [illegible] Month of [illegible], 19[illegible]

Address [illegible] (Street) [illegible] (City) [illegible] (State)

Total Stock Beginning of Month [illegible] Barrels

Receipts by Fields, by Leases—Total Each Field

County	Field or Pool	Name of Producer	Name of Lease	Barrels
RECEIPT OF DRIP GATHERED BY EL PASO NATURAL GAS COMPANY AND STORED IN:				
			BATTERY 16	2300
			19	4000
TOTAL				6300

Receipts From Other Sources

Received From	Place of Receipt	Barrels
NONE		
TOTAL		
TOTAL RECEIPTS		6300
STOCK FIRST OF PERIOD PLUS RECEIPTS		6300

Deliveries

To Whom	Place of Delivery	Barrels
TOTOCK REFINING CO.	TOTOCK, NEW MEXICO	6300
TOTAL DELIVERIES		6300
TOTAL STOCK END OF MONTH		0
SHORTAGE		
OVERAGE		
TOTAL DELIVERIES AND STOCKS PLUS SHORTAGE OR MINUS OVERAGE		6300

I hereby certify that this report is true and complete to the best of my knowledge.

Name of Transporter or Storer .....

..... (Signature) (Title)

(Follow Instructions in Reverse Side)

(Form C-112)
(Revised 7/1/52)

INSTRUCTIONS

This report is required of all Transporters of oil and liquid hydrocarbons by pipe line, by water or by truck, and by all Storers of oil and liquid hydrocarbons. In case products are blended with oil, receipts of such products shall be reported, separately.

This report shall be filed in duplicate on or before the 15th day of each calendar month and shall be complete as to data covering the month next preceding the date of filing.

When delivery is made to a transporter show under "To Whom" column the name of transporter and the type of transportation.

Where the space in any section on Sheet 1 is insufficient use Sheet 1-A, Sheet 1-B, Sheet 1-C, or Sheet 2 of Form C-112 and show in the applicable section of Sheet 1 the numbers of sheets of 1-A, 1-B, 1-C or 2 attached and made a part of this report.

Do not use fractions of barrels in this report.

If any space does not apply fill in the word "NONE."

Please use typewriter if possible.

(Form C-113)
(Revised 7/1/58)

OIL CONSERVATION COMMISSION
State of New Mexico

Sheet 1

TRANSPORTER'S AND STORER'S MONTHLY REPORT

Report of [illegible] Month of ....., 19....

Address .....
(Street) (City) (State)

Total Stock Beginning of Month ..... 1,125 Barrels

Receipts by Fields, by Leases—Total Each Field

County	Field or Pool	Name of Producer	Name of Lease	Barrels
SAN JUAN	TRANSFER FROM DRIPS ON GAS AND TRANSMISSION LINES STORED IN		GATHERING BATTERY 16	2,000
			19	3,600

TOTAL 5600

Receipts From Other Sources

Received From	Place of Receipt	Barrels
none		

TOTAL	
TOTAL RECEIPTS	5600
STOCK FIRST OF PERIOD PLUS RECEIPTS	6725

Deliveries

To Whom	Place of Delivery	Barrels
SAN JUAN PETROLEUM CO. (TRUCK)	BATTERY 16	2300
	19	4000

TOTAL DELIVERIES	6300
TOTAL STOCK END OF MONTH	425
SHORTAGE	5
OVERAGE	
TOTAL DELIVERIES AND STOCKS PLUS SHORTAGE OR MINUS OVERAGE	6725

I hereby certify that this report is true and complete to the best of my knowledge.

Name of Transporter or Storer [illegible]

[illegible]
(Signature) (Title)

(Follow Instructions in Reverse Side)

(Form C-112)
(Revised 7/1/53)

INSTRUCTIONS

This report is required of all Transporters of oil and liquid hydrocarbons by pipe line, by water or by truck, and by all Storers of oil and liquid hydrocarbons. In case products are blended with oil, receipts of such products shall be reported, separately.

This report shall be filed in duplicate on or before the 15th day of each calendar month and shall be complete as to data covering the month next preceding the date of filing.

When delivery is made to a transporter show under "To Whom" column the name of transporter and the type of transportation.

Where the space in any section on Sheet 1 is insufficient use Sheet 1-A, Sheet 1-B, Sheet 1-C, or Sheet 2 of Form C-112 and show in the applicable section of Sheet 1 the numbers of sheets of 1-A, 1-B, 1-C or 2 attached and made a part of this report.

Do not use fractions of barrels in this report.

If any space does not apply fill in the word "NONE."

Please use typewriter if possible.

SAN JUAN

(Form C-110)
(Revised 7/1/52)

NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

It is necessary that Form C-104 be approved before this form can be approved an an *initial* allowable be assigned to any completed Oil or Gas well. Submit this form in QUADRUPLICATE.

CERTIFICATE OF COMPLIANCE AND AUTHORIZATION TO TRANSPORT OIL AND NATURAL GAS

Company or Operator EL PASO NATURAL GAS CO. Lease .....

Address FARMINGTON, NEW MEXICO (Local or Field Office) EL PASO, TEXAS (Principal Place of Business)

Unit ....., Well(s) No. ....., Sec. ....., T. ....., R. ....., Pool .....

County SAN JUAN AND RIO ARRIBA Kind of Lease: .....

If Oil well Location of Tanks .....

Authorized Transporter SAN JUAN PETROLEUM CO Address of Transporter

AZTEC, NEW MEXICO (Local or Field Office), AZTEC, NEW MEXICO (Principal Place of Business)

Per cent of Oil or Natural Gas to be Transported 100 Other Transporters authorized to transport Oil or Natural Gas from this unit are NONE

..... %

REASON FOR FILING: (Please check proper box)

NEW WELL ..... ☐ CHANGE IN OWNERSHIP ..... ☐

CHANGE IN TRANSPORTER ..... ☐ OTHER (Explain under Remarks) ..... ☒

REMARKS: THIS IS TO AUTHORIZE SAN JUAN PETROLEUM CO. TO TRANSPORT THE DRIP GATHERED BY EL PASO NATURAL GAS COMPANY FROM ITS GAS GATHERING AND TRANSMISSION SYSTEM IN SAN JUAN AND RIO ARRIBA COUNTIES NEW MEXICO AND STORED IN THE FOLLOWING TANK BATTERIES:

BATTERY 16 LOCATED NW NW SEC 9, T 30 N R 9 W
19 " SW NE 4 31 11

(SEE ATTACHED SHEET FOR ADDITIONAL BATTERIES)

The undersigned certifies that the Rules and Regulations of the Oil Conservation Commission have been complied with.

Executed this the 11 day of JUNE, 19 57

El Paso Natural Gas Co

Approved ....., 19.....

OIL CONSERVATION COMMISSION

By .....

Title .....

By Jack Shickich

Title Gas Engr

(See Instructions on Reverse Side)

(Form C-110)
(Revised 7/1/52)

INSTRUCTIONS

This form shall be executed and filed in QUADRUPLICATE with the District Office of the Oil Conservation Commission, covering each unit from which oil or gas is produced. A separate certificate shall be filed for each transporter authorized to transport oil or gas from a unit. After said certificate has been approved by the Oil Conservation Commission, one copy shall be forwarded to the transporter, one copy returned to the producer, and two copies retained by the Oil Conservation Commission.

A new certificate shall be filed to cover each change in operating ownership and each change in the transporter, except that in the case of a temporary change in the transporter involving less than the allowable production for one proration period, the operator shall in lieu of filing a new certificate notify the Oil Conservation Commission District Office, and the transporter authorized by certificate on file with the Commission, by letter of the estimated amount of oil or gas to be moved by the transporter temporarily moving oil or gas from the unit and the name of such temporary transporter and a copy of such notice shall also be furnished such temporary transporter. Such temporary transporter shall not move any more oil or gas than the estimated amount shown in said notice.

This certicate when properly executed and approved by the Oil Conservation Commission shall constitute a permit for pipe line connection and authorization to transport oil and gas from the property named therein and shall remain in full force and effect until

(a) Operating ownership changes
(a) The transporter is changed or
(c) The permit is cancelled by the Commission.

If any of the rules and regulations of the Oil Conservation Commission have not been complied with at the same time this report is filed, explain fully under the heading "REMARKS."

In all cases where this certificate is filed to cover a change in operating ownership or a change in the transporter designated to move oil or gas, show under "REMARKS" the previous owner or operator and the transporter previously authorized to transport oil or gas.

A separate report shall be filed to cover each producing unit as designated by the Oil Conservation Commission.

(Form C-113)
(Revised 7/1/58)

OIL CONSERVATION COMMISSION
State of New Mexico

Sheet 1

TRANSPORTER'S AND STORER'S MONTHLY REPORT

Report of JOHN DOE Month of [illegible], 19[illegible]

Address JAL (Street) (City) NEW MEXICO (State)

Total Stock Beginning of Month 2734 Barrels

Receipts by Fields, by Leases—Total Each Field

County	Field or Pool	Name of Producer	Name of Lease	Barrels
LEA	RECEIPTS FROM DRIPS ON TRUNKS A, B, C, D OF EL PASO NATURAL GAS COMPANY'S HIGH PRESSURE GATHERING SYSTEM.			8726
TOTAL				8726

Receipts From Other Sources

Received From	Place of Receipt	Barrels
NONE		
TOTAL		
TOTAL RECEIPTS		8726
STOCK FIRST OF PERIOD PLUS RECEIPTS		11460

Deliveries

To Whom	Place of Delivery	Barrels
SINBAD REFINING CO.	HOBBS NEW MEXICO	9835
TOTAL DELIVERIES		9835
TOTAL STOCK END OF MONTH		1660
SHORTAGE		
OVERAGE		35
TOTAL DELIVERIES AND STOCKS PLUS SHORTAGE OR MINUS OVERAGE		11460

I hereby certify that this report is true and complete to the best of my knowledge.

Name of Transporter or Storer JOHN DOE

[signature] [illegible]
(Signature) (Title)

(Follow Instructions in Reverse Side)

(Form C-112)
(Revised 7/1/52)

INSTRUCTIONS

This report is required of all Transporters of oil and liquid hydrocarbons by pipe line, by water or by truck, and by all Storers of oil and liquid hydrocarbons. In case products are blended with oil, receipts of such products shall be reported, separately.

This report shall be filed in duplicate on or before the 15th day of each calendar month and shall be complete as to data covering the month next preceding the date of filing.

When delivery is made to a transporter show under "To Whom" column the name of transporter and the type of transportation.

Where the space in any section on Sheet 1 is insufficient use Sheet 1-A, Sheet 1-B, Sheet 1-C, or Sheet 2 of Form C-112 and show in the applicable section of Sheet 1 the numbers of sheets of 1-A, 1-B, 1-C or 2 attached and made a part of this report.

Do not use fractions of barrels in this report.

If any space does not apply fill in the word "NONE."

Please use typewriter if possible.

(Form C-110)
(Revised 7/1/52)

NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

It is necessary that Form C-104 be approved before this form can be approved an an *initial* allowable be assigned to any completed Oil or Gas well. Submit this form in QUADRUPLICATE.

CERTIFICATE OF COMPLIANCE AND AUTHORIZATION TO TRANSPORT OIL AND NATURAL GAS

Company or Operator EL PASO NATURAL GAS CO. Lease ———

Address JAL, NEW MEXICO (Local or Field Office) EL PASO, TEXAS (Principal Place of Business)

Unit ——, Well(s) No. ——, Sec. ——, T. ——, R. ——, Pool ——

County LEA Kind of Lease: ———

If Oil well Location of Tanks ———

Authorized Transporter JOHN DOE Address of Transporter

JAL, NEW MEXICO (Local or Field Office), ——— (Principal Place of Business)

Per cent of Oil or Natural Gas to be Transported 100 Other Transporters authorized to transport Oil or Natural Gas from this unit are NONE.

——— %

REASON FOR FILING: (Please check proper box)

NEW WELL ☐ CHANGE IN OWNERSHIP ☐

CHANGE IN TRANSPORTER ☐ OTHER (Explain under Remarks) ☒

REMARKS: THIS IS TO AUTHORIZE JOHN DOE TO GATHER AND TRANSPORT THE LIQUID HYDROCARBONS FROM DRIPS ON THE FOLLOWING LISTED TRUNKS OF EL PASO NATURAL GAS COMPANY'S HIGH PRESSURE GATHERING SYSTEM IN LEA COUNTY NEW MEXICO:

TRUNK A, B, C, D

The undersigned certifies that the Rules and Regulations of the Oil Conservation Commission have been complied with.

Executed this the ——day of ——, 19——

EL PASO NATURAL GAS CO.

Approved ——, 19——

OIL CONSERVATION COMMISSION By ———

By ——— Title ———

Title ———

(See Instructions on Reverse Side)

(Form C-110)
(Revised 7/1/52)

INSTRUCTIONS

This form shall be executed and filed in QUADRUPLICATE with the District Office of the Oil Conservation Commission, covering each unit from which oil or gas is produced. A separate certificate shall be filed for each transporter authorized to transport oil or gas from a unit. After said certificate has been approved by the Oil Conservation Commission, one copy shall be forwarded to the transporter, one copy returned to the producer, and two copies retained by the Oil Conservation Commission.

A new certificate shall be filed to cover each change in operating ownership and each change in the transporter, except that in the case of a temporary change in the transporter involving less than the allowable production for one proration period, the operator shall in lieu of filing a new certificate notify the Oil Conservation Commission District Office, and the transporter authorized by certificate on file with the Commission, by letter of the estimated amount of oil or gas to be moved by the transporter temporarily moving oil or gas from the unit and the name of such temporary transporter and a copy of such notice shall also be furnished such temporary transporter. Such temporary transporter shall not move any more oil or gas than the estimated amount shown in said notice.

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In all cases where this certificate is filed to cover a change in operating ownership or a change in the transporter designated to move oil or gas, show under "REMARKS" the previous owner or operator and the transporter previously authorized to transport oil or gas.

A separate report shall be filed to cover each producing unit as designated by the Oil Conservation Commission.

RECOMMENDED RULE BY EL PASO NATURAL GAS COMPANY

RULE_____

GATHERING AND TRANSPORTING OF LIQUID HYDROCARBONS RECOVERED IN DRIPS OR OTHER COLLECTING DEVICES WHICH ARE A PART OF NATURAL GAS GATHERING AND TRANSMISSION LINES

A. Before any liquid hydrocarbons may be recovered from drips or other collecting devices on natural gas gathering and transmission lines by a party other than the owner of the pipeline facilities from which it is to be recovered, the following regulations must be complied with:

1. The party desiring to recover such liquid hydrocarbons must obtain from the New Mexico Oil Conservation Commission a permit to gather gas pipeline drip products. Such a permit shall be granted only after said party has proved to the Commission's satisfaction (1) that there is a need for such a permit and (2) that the operation will be conducted satisfactorily.

2. Application for the permit discussed in 1 above must be accompanied by four copies of Form 110 executed by the owner of the gas pipeline facilities authorizing the gathering and transporting of such drip products and giving a description of the facilities which are authorized to be serviced.

3. The gatherer and transporter authorized as provided above shall file Form 112 each calendar month in accordance with Rule 1111.

B. Any liquid hydrocarbons which have been recovered from drips or other collecting devices on natural gas gathering and transmission lines by the owner of said pipeline facilities may be transported by a party other than such owner if the following regulations are complied with:

1. The owner of the gas pipeline facilities shall execute in quadruplicate and file with the Commission Form C-110 authorizing the transportation and describing the facilities to be serviced.

2. The owner of the gas pipeline facilities shall file with the Commission a monthly report on Form C-112 indicating therein stocks of liquid hydrocarbons on hand and deliveries to each transporter for the month.

3. The authorized transporter shall file with the Commission a monthly report on Form C-112 indicating therein receipts from each storer and deliveries to storers or refiners for the month.

C. An owner of natural gas gathering and transmission lines who gathers and transports liquid hydrocarbons recovered from drips or other collecting devices on said lines shall file with the Commission a monthly report on Form C-112 indicating therein stocks of liquid hydrocarbons on hand and deliveries to storers or refiners for the month.

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C. MELVIN NEAL
W. D. GIRAND, JR.
KERMIT E. NASH
W. D. GIRAND, SR.
J. W. NEAL

NEAL & GIRAND
LAWYERS
HOBBS, NEW MEXICO

TELEPHONES:
3-5171 3-5172
P. O. BOX 1326

September 25, 1954

Oil Conservation Commission,
Santa Fe, New Mexico.

Attention: Mr. W. B. Macey.

Dear Mr. Macey:

Some time ago I discussed with you the preparation of a notice for the Commission to consider the adoption of rules and regulations covering acquisition, transportation and sale of drip gasoline and trap oil. I am enclosing herewith a suggested notice which I feel will cover all phases of the hearing and between now and the 15th of October I will furnish you with a proposed set of rules and regulations covering this item.

Very truly yours,

NEAL & GIRAND,

BY: W. D. Girand Jr.

G/ls
Encl.

PROPOSED NOTICE

CASE NO._____

APPLICATION OF THE COMMISSION UPON ITS OWN MOTION TO REVISE RULE 312 TO PROMULGATE SUPPLEMENTARY AND ADDITIONAL RULES AND REGULATIONS GOVERNING THE ACQUISITION, TRANSPORTATION AND SALE OF DRIP GASOLINE AND TRAP OIL.

PROPOSED RULE REVISIONS IN CASE 791

The following memorandum reflects informally the changes in rules recommended by the Oil Conservation Commission staff in Case 791, as advertised for the November 17, 1954, regular hearing.

502 II

No unit shall produce during any one proration period more than the allowable production of such unit for the proration period plus a tolerance of not to exceed 5 days allowable production. This permissive tolerance of overproduction from a unit shall be adjusted or balanced by subsequent corresponding underproduction from the same unit. Overproduction within the permitted tolerance shall be considered as oil produced against the allowable production assigned to the unit for the proration period during which such overproduction is adjusted or balanced by underproduction.

(The present rule requires that any overproduction must be adjusted during the month following the month in which it occurs. The proposed revision retains the limit of 5 days tolerance but does not prescribe a specific time for adjustment. It provides in effect a running cushion of 5 days tolerance which is more in keeping with practical operating practices.)

503 (a)

The Commission shall meet between the 13th and 20th of each month at open hearing for the purpose of determining the amount of oil to be produced from all oil pools for the following calendar month.

(This would merely change the monthly dates of hearings from the 15th to 20th, to the 13th to 20th, thus allowing for hearing to be held earlier in the month. This would facilitate the publication of the proration schedule, by making known the normal unit allowable at an earlier date. It would also allow more time between the New Mexico and Texas hearings for those who would attend both hearings.

505 (g)

The top unit allowables hereinabove determined shall be assigned to the respective pools in accordance with each pool's depth range. Allowables to marginal wells, other than those affected by gas-oil ratios, will be assigned on the basis of nominations submitted by the operator on form C-127. Such nominations must be based upon the ability of the well to produce without waste; otherwise the allowable will be assigned on the basis of the latest available production figures. The sum of the allocation to all marginal units plus the sum of the allocation to all non-marginal units in each pool shall constitute the allocation for each pool.

(No changes except to substitute form C-127 for form C-115 for use in making nominations.)

1114

Operator's monthly report, Form C-115, shall be filed on each producing lease within the State of New Mexico for each calendar month setting forth complete information and data indicated on said form. Oil production from wells which are producing into common storage shall be estimated as accurately as possible on the basis of periodic tests. Each report for each month shall be filed in time to reach the Commission offices not later than the 24th of the next succeeding month. Failure of the operator to file form C-115 in time to reach the Commission by the 24th of the month shall result in the reduction of the next month's allowable for the affected well or wells by one day for each day the C-115 is late.

It will not be necessary to fill in the daily well nomination column of form C-115, since this information is reported on form C-127.

(This proposed revision extends the deadline date for filing form C-115 from the 18th to the 24th of the month, and a penalty of an allowable reduction of one day for each day the report is late is provided. This proposal would also allow oil production of units producing into common storage to be estimated.)

1126

Request for allowable changes, Form C-127.

(One copy of Form C-127 shall be filed with the Oil Conservation Commission, Box 2045, Hobbs, New Mexico, not later than the 15th of the month preceding the month for which allowable changes are requested.)

This form shall include only the wells for which allowable changes are desired.

CASE 779

(El Paso Natural Gas Company's Proposed Rules)

GATHERING AND TRANSPORTING OF LIQUID HYDROCARBONS RECOVERED IN DRIPS OR OTHER COLLECTING DEVICES WHICH ARE A PART OF NATURAL GAS GATHERING AND TRANSMISSION LINES

A. Before any liquid hydrocarbons may be recovered from drips or other collecting devices on natural gas gathering and transmission lines by a party other than the owner of the pipeline facilities from which it is to be recovered, the following regulations must be complied with:

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B. Any liquid hydrocarbons which have been recovered from drips or other collecting devices on natural gas gathering and transmission lines by the owner of said pipeline facilities may be transported by a party other than such owner if the following regulations are complied with:

1. The owner of the gas pipeline facilities shall execute in quadruplicate and file with the Commission Form C-110 authorizing the transportation and describing the facilities to be serviced.

2. The owner of the gas pipeline facilities shall file with the Commission a monthly report on Form C-112 indicating therein stocks of liquid hydrocarbons on hand and deliveries to each transporter for the month.

3. The authorized transporter shall file with the Commission a monthly report on Form C-112 indicating therein receipts from each storer and deliveries to storers or refiners for the month.

CASE 779

(Famariss Oil & Refining Company's Proposed Rules)

Rule 312, Subsection (c) of the Rules and Regulations of the Oil Conservation Commission be amended as follows:

None of the provisions of Paragraph (a) and (b) of this Rule are applicable to the recovery of wash-in oil, creek oil, pit oil, or scrubber oil where such oil is picked up and returned to the lease on which produced or where such oil is disposed of by the owner to an authorized purchaser or transporter and accounted for on Commission Form C-110. Provided, however, before any person other than the owner shall pick up, reclaim, salvage or transport wash-in oil, creek oil, pit oil, or scrubber oil, a permit to do so shall be obtained from the owner or operator of the lease, pipeline, or refinery and a permit from the duly authorized agent of the Commission. A purchaser or transporter desiring to obtain a permit to perform the services under Subsection (c) of this Rule shall:

1. File with the Commission a surety bond of performance satisfactory to the Commission, payable to the Commission of the State of New Mexico in the penal amount of $25,000.00.

2. A written application for a permit to transport shall be filed and a public hearing had thereon. All applications to show:

   (a) The name and location of the lease, trap or pit;

   (b) The number of well or wells from which the oil or drip was produced or the source of such oil or drip;

   (c) The name of the owner, operator or manager of the lease, pipeline or refinery;

   (d) Contracts of purchase, if any.

3. All permitees will be required to establish permanent storage facilities in the area called for in the permit and give the location thereof, such facilities to serve the area covered by the permit.

4. All permitees will be required to furnish the following evidence, to-wit:

   (a) Run Tickets showing acquistion;

   (b) Accumulation reports showing storage;

   (c) C-110;

After the granting of a permit in the event the permitee is found guilty of violation of any of the Rules and Regulations of the Oil Conservation Commission or any of the laws of the State of New Mexico in regard to the production, sale and transportation of oil or drip gasoline, said permit shall be subject to cancellation without hearing. The Commission may suspend any permitee upon presentation of evidence of violation of the Rules and Regulations of the Commission; provided, however, that such suspension shall be temporary until the charges against the permitee are made known to the permitee and the hearing before the Commission must be granted the permitee within twenty days after the notification of the charges made, and should the Commission determine that the charges are well founded, the Commission may then enter its order cancelling the permit.

CASE 779
(Famariss Oil & Refining Company's Proposed Form)

OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Monthly Report of Operations for _____, 19____

Operator _____ Address _____
Lease _____ Sec. _____ T.S. _____ Rge. _____

Stock on hand - Beginning of period		_____
Acquistions - Gross	_____	
Deduct, Losses on acquistions	_____	
Acquistions - Net		_____
Pipeline runs	_____	
Add, Losses on pipeline runs	_____	
Pipeline runs - Gross		_____
Stock on hand - End of period		_____
Represented by:		
Stock below pipeline connection	_____	
Gross Allowable requested by C-110 dated _____	_____	
Total		_____

Signed: _____
By: _____

STATE OF NEW MEXICO)
COUNTY OF _____)

Before me, the undersigned authority, personally appeared _____ Known to me to be the _____ of the plant filing the above report who upon his oath says that the above and foregoing report including attached papers is complete and each statement therein contained is true and correct, and that no oil or the products thereof was received, delivered, processed, reclaimed, blended, treated or on hand at the beginning or end of the reported period, in addition to that shown during the above reported period.

SUBSCRIBED AND SWORN TO BEFORE ME, THIS _____ day of _____, 19_____.

Seal

_____
Notary Public in and for _____
County, New Mexico
My Commission Expires: _____

CASE 779

(Famariss Oil & Refining Company's Proposed Form)

OIL CONSERVATION COMMISSION

Santa Fe, New Mexico

For the period from _____ to _____

Operator _____ Address _____

Lease _____ Sec. _____ T.S. _____ Rge. _____

Stock on hand - Beginning of Period		
Acquistions - Gross		
Deduct, Losses on acquistions		
Acquistions - Net		
Total		
Pipeline runs - Net		
Add, Losses on pipeline runs		
Pipeline runs - Gross		
Total product available (stock on hand-End of period)		
Deduct, Stock below pipeline connection		
GROSS ALLOWABLE REQUIRED		
Deduct, balance not run of Gross Allowable authorized by C-110 dated _____		
NET ALLOWABLE REQUIRED		

Schedule of Acquistions and Pipeline Runs

(Tickets Attached)

Date	Ticket	Company	Acquistions	Pipeline Runs

(If further space is required, attach schedule)

TOTALS

Signed: _____

By: _____

STATE OF NEW MEXICO)
COUNTY OF _____)

Before me, the undersigned authority personally appeared _____ known to me to be the _____ of the plant filing the above report who upon oath says that the above and foregoing report including attached papers is complete and each statement therein contained is true and correct, and that no oil or the products thereof was received, delivered, processed, reclaimed, blended, treated or on hand at the beginning or end of the reported period, in addition to that shown during the above reported period; and that said reporting firm is entitled to C-110 for shipment of the tenderable stock at the end of the period covered and as shown by this report.

SUBSCRIBED AND SWORN TO BEFORE ME, THIS _____ day of _____, 19___

Approved Date _____

By: _____
For: Oil Conservation Commission

_____
Notary Public in and for _____
County, New Mexico
My Commission Expires: _____

RULE 312

SUBSECTION (c):

None of the provisions of Paragraph A and B of this rule are applicable to the recovery of wash-in oil, creek oil, pit oil, scrubber oil or drip gasoline or oil where such oil is picked up and returned to the lease on which produced or where such oil is disposed of by the owner to an authorized purchaser and accounted for on Commission Form C-110.

SUBSECTION (d):

The Commission shall issue a permit to any purchaser or transporter (not a common purchaser as defined by the rules of the Commission) upon such purchaser or transporter filing an application for a permit, such application to show the following, to-wit:

1. The name and location of the lease, trap or pit;
2. The source of such oil or drip;
3. The name of the owner or operator;
4. Copies of contracts of purchase;
5. The location of permanent storage to be installed by permitee;
6. Surety bond payable to the Oil Conservation Commission of the State of New Mexico in the penal amount of $25,000.00 on a form satisfactory to the Commission.

Upon the granting of a permit to a purchaser or transporter, such permitee will be required to furnish the following evidence, to-wit:

1. Run tickets showing acquisition;
2. Accumulation reports showing storage
3. C-110
4. Monthly reports.

After the granting of a permit in the event the permitee is found guilty of violation of any of the Rules and Regulations of the Oil Conservation Commission or any of the laws of the State of New Mexico in regard to the production, sale and transportation of wash-in oil, creek oil, pit oil, scrubber oil, or drip gasoline, said permit shall be subject to cancellation without hearing. The Commission may suspend any permitee upon presentation of evidence of violation of the Rules and Regulations of the Commission; provided, however, that such suspension shall be temporary until the charges against the permitee are made known to the permitee and the hearing before the Commission must be granted the permitee within twenty days after the notification

of the charges made, and should the Commission determine that the charges are well founded, the Commission may then enter its order cancelling the permit.

Saturday Morning

Bill, in case you have not had time to look very closely at the proposals in case 779, here, briefly, are sum and substance.

The proposals by El Paso very closely follow the procedure under which we have been operating, with the exception that the prospective transporter would be required to obtain a permit after establishing the need for such a permit and furnishing proof that the operations would be conducted in a manner satisfactory to the Commission. They propose the filing of no other forms than the C 110 and C112.

The Famariss proposal would apply Rule 312c to the transportation and sale of drip, although this rule as amended ,or proposed does not specifically refer to drip . The requirements for the drip transporter to meet would be:

1, Furnish a $25,000 surety bond,

2, Establish storage facilities,

3, Obtain a permit from the Commission and

4, File the following forms

C110 , C112 , Run tickets showing acquisition, accumulation reports showing storage, and monthly reports.