

# CORRECTION

The preceding

CASE # 110

. Filmed out of Sequence

documents were ~~incorrectly~~  
~~filmed~~. They are ~~re~~ filmed  
following this target.

Case No.

11D

Application, Transcript,  
Small Exhibits, Etc.

ADDRESS

CASE NO. IN THE MATTER OF THE APPLICATION OF  
HARDIN-HOUSTON, a partnership, FOR GENERAL ORDER  
REGUL.

STATE OF NEW MEXICO  
OFFICE OF STATE GEOLOGIST  
SANTA FE, NEW MEXICO

July 15, 1948

THE HOBBS DAILY NEWS-SUN  
HOBBS, NEW MEXICO

RE: Notice of Publication - Cases 110  
and 104

Gentlemen:

Please publish the enclosed notice once, immediately. Please  
proof-read the notice carefully and send a copy of the paper  
carrying such notice.

UPON COMPLETION OF THE PUBLICATION, FURNISH SUCH PUBLISHER'S  
AFFIDAVIT IN DUPLICATE.

For payment please submit statement in duplicate, accompanied  
by voucher executed in duplicate. The necessary blanks are  
enclosed.

Very truly yours,

GEORGE A. GRIMM, Attorney

C  
O  
P  
Y

OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO

4 October 1948

Mr. W. D. Girand  
Hobbs, New Mexico

Dear Mr. Girand:

Inclosed is copy of general order adopted by the Commission  
with regard to the application of Hardin-Houston on tank  
cleaning.

Very truly yours,

---

RRS:bsp



STATE OF NEW MEXICO  
OFFICE OF STATE GEOLOGIST  
SANTA FE, NEW MEXICO

July 16, 1946

Neal S. Girard  
Neal Building  
Hobbs, New Mexico

RE: Continuance of Case No. 110

Gentlemen:

This is to advise you that the above captioned case, in the matter of the application of Hardin-Houston for permission to purchase and process waste oil will be heard at 10:00 o'clock a.m., July 22, 1946, Santa Fe, New Mexico, in the House of Representatives.

Very truly yours,

GEORGE A. GRAHAM, Attorney

RAILROAD COMMISSION OF TEXAS  
OIL AND GAS DIVISION

OIL AND GAS DOCKET NO. 126

#6 - 11,513

IN RE: CONSERVATION AND PREVENTION OF  
WASTE OF CRUDE PETROLEUM AND  
NATURAL GAS IN RAILROAD COM-  
MISSION DISTRICT NO. 8, T E X A S

Austin, Texas  
November 12, 1947

NOTICE OF HEARING

NOTICE IS HEREBY GIVEN To the public and all interested parties that the Railroad Commission of Texas will, at ten a. m., DECEMBER 10, 1947, hold a Hearing in the Commission's office in the Petroleum Building, in Midland, Texas, for the purpose of permitting the Hardin-Houston Company and/or any other interested party to place before the Commission such evidence as may be desired to be presented in connection with and bearing upon whether or not the Commission's permit heretofore granted said company to operate a plant, located at Denver City, in Yoakum County, Texas, for the purpose of treating and/or reclaiming tank bottoms should be revoked.

THIS HEARING IS CALLED Pursuant to the provisions of Section IV of Commission Order No. 20-11,302, dated September 29, 1947, titled "Special Order Regulating Tank Cleaning, Plants Processing Tank Bottoms, and Reclaiming of Waste Oil"; and by reason of the fact that sampling, by Commission representatives, of the unprocessed stock, classified by Hardin-Houston Company as BS&W and reported on Commission Form RP as stock on hand at the close of September, 1947, operations, disclosed that the actual BS&W content thereof approximated only twenty-two per cent (22%) of such total volume reported as BS&W stock.

PURSUANT To said Hearing, the Commission will enter such rules, regulations, and orders as in its judgment the evidence presented may justify.

RAILROAD COMMISSION OF TEXAS

Ernest O. Thompson, Chairman

W. J. Murray, Jr., Commissioner

Olin Culberson, Commissioner

( S E A L )

ATTEST:

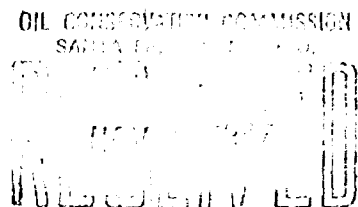
K. C. Miller, Secretary

Whisper Case  
in Texas -  
Court ruled A.P.  
Corn land with  
to about in field  
if too much and  
as being placed



COPY

NOVEMBER 3, 1947



Oil Conservation Commission  
Santa Fe, New Mexico

Gentlemen:

As suggested in your letter of October 20, to Mr. Glenn Staley, Lea County Operators Committee, a committee representing the producers, pipeline companies, gasoline plant operators, refineries and petitioners, met on October 31. The following were present:

C. L. Withers	New Mexico Asphalt & Ref.	Artesia
W. D. Girand, Jr.	Neal & Girand	Hobbs
F. B. Whitaker, Jr.	Texas New Mexico Pipe Line Co.	Midland
Walter Famarris, Jr.		Hobbs
Raymond F. Miller	Grayburg Oil Co. of N. M.	Artesia
M. C. Brunner (Chr.)	Shell Oil Co.	Hobbs
W. L. Phillips	Phillips Petroleum Co. (Gasoline Dept.)	Odessa
H. R. Markley	" " "	"
Roy Yarbrough	Oil Conservation Commission	Hobbs
Glenn Staley	Lea County Operators	"

The suggested rules and regulations covering the operating of reclamation plants were discussed and we are attaching for your consideration and approval the rules as unanimously agreed upon by the committee.

The question of charging the salvaged oil to the unit or lease allowable was fully discussed and it was agreed upon that charging it to the allowable was impractical, because of the clerical and royalty accounting work required, for the extremely small amount of oil involved.

In the opinion of the committee, the proposed order submitted herewith, sets up sufficient rules and regulations adequate to protect the State and the producers from the marketing of illegal oil.

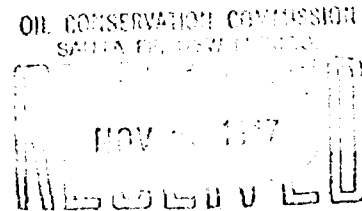
It is the opinion of the committee in the tender of this proposed general Order that the adoption hereof will assist in the future conservation of petroleum in the State of New Mexico, and will encourage the reclamation of this waste product.

Respectfully submitted,

*M. C. Brunner*  
M. C. Brunner, Chairman

Distributed by  
LEA COUNTY OPERATORS COMMITTEE  
RODES, NEW MEXICO

BEFORE THE OIL CONSERVATION COMMISSION OF THE  
STATE OF NEW MEXICO



IN THE MATTER OF AN ORDER  
TO PROVIDE RULES AND REGULATIONS  
GOVERNING THE PROCESSING OF TANK BOTTOM  
EMULSION AND WASTE OIL WITHIN THE  
STATE OF NEW MEXICO

ORDER OF THE COMMISSION

The Commission on its own motion on this the \_\_\_\_\_ day of \_\_\_\_\_, 1947 at 10:00 A. M., considered the advisability of promulgating general rules and regulations governing the processing of tank bottom emulsion and waste oil in the State of New Mexico for the reason that at the time of this meeting there are in existence in the State of New Mexico two permits to processors, both operating under Order No. 726 of this Commission, entered on September 9, 1947, being the Walter Farnaris Jr., and the Hardin-Houston permits.

THE COMMISSION FINDS:

1. That it is necessary that general rules and regulations promulgating the procedure to be followed by applicants for permits to operate as processors of tank bottom emulsion and waste oil be adopted by this Commission so that there will be a uniform system of rules and regulations governing all persons engaged in the business of processing tank bottom emulsion and waste oil in order to provide suitable supervision over the processors and to prevent additional waste and other violations of the conservation program of the State of New Mexico.

IT IS THEREFORE ORDERED:

RULE 1.

No treating plant, as defined in this Order, shall operate except in conformity with the following rules and regulations:

(A) Every person desiring to operate or cause to be operated a treating plant within the State of New Mexico under the terms of this Order shall, before he begins the construction thereof, apply to the Commission in writing for a permit. Such application shall state in detail the location, type and capacity of the plant contemplated and method of processing proposed to be used. The Commission shall set such application for a hearing ~~in not less than twenty (20) days~~, and if satisfied that the proposed plant and method of processing will actually and efficiently process, treat and reclaim tank bottom emulsion and waste oil, and that there is a need for such a plant at the proposed location thereof, a permit will be granted authorizing the construction of such plant under the Commission's supervision.

No person or persons shall operate, or cause to be operated, a treating plant without having first applied for and obtained an operating permit from the Commission and such permit will be granted only after the plans of the plant have been approved and applicant has filed and had approved his bond as hereinafter provided and upon a showing satisfactory to the Commission of the necessity thereof.

Such permit, when granted, shall be valid until revoked or abandoned, and shall be revocable at any time after hearing is had on ten(10) day's notice, the Commission finds:

(1) The treating plant under which such permit is so constructed, equipped or operated as not to reclaim and conserve tank bottom emulsion and waste oil;

(2) The owner or operator of such treating plant in the construction or operations thereof, is violating any law of the State of New Mexico relating to the production, transportation, processing, refining, treating and marketing of crude oil or its products;

(3) The owner or operator of such treating plant is violating any law of the State of New Mexico adopted to conserve the oil and gas resources of the State, or any rule or regulation of this Commission enacted under and in pursuance of said laws;

(B) The total amount of products secured from tank bottom emulsion and waste oil by treating plant processing tank bottom emulsion and waste oil operating in conformity with the provisions of this Order shall be entitled to a C-110.

*the* (C) That before actual operations are begun, the permittee shall file with this Commission a surety company bond payable to the Oil Conservation Commission and/or the State of New Mexico in the amount of \$25,000 conditioned upon faithful performance by the permittee of the provisions of this Order or of any further Order in this cause, observance of the applicable laws of the State of New Mexico and the rules and regulations heretofore or hereafter promulgated by the Commission in any wise applicable.

(D) Any treating plant operating under these rules and regulations shall, on or before the 15th day of each calendar month, file ~~at the office of the~~ Commission a monthly report on forms to be supplied by this Commission. Each such monthly report shall contain full and accurate information covering the following details of the business conducted by such reporting permittee during the preceding period. The report shall cover the period from 7:00 A. M., the first day of the calendar month reported, and end at 7:00 A. M., the first day of the calendar month in which the report is filed. The data required in each report shall be:

(1) The number of barrels of tank bottom emulsion, waste oil and treated tank bottom emulsion on hand in the possession, custody or control of such plant, at the beginning and close of each reported period, and the location where all of such tank bottom emulsion waste oil and treated tank bottom emulsion are held, including the location and identification of each tank or place of deposit.

(2) The number of barrels of tank bottom emulsion, waste oil and treated tank bottom emulsion which came into the possession of such plant during such reported period. Each quantity of tank bottom emulsion so reported shall be identified by the tank number of the operator from whom it was obtained and the location where obtained.

(3) The number of barrels of tank bottom emulsion and waste oil treated and/or processed during such reported period and the number of barrels of pipeline oil recovered, and the treating or processing loss during such reported period.

(4) The number of barrels of pipeline oil sold and/or delivered and/or transported during the reported period, to whom delivered and/or transported, together with the approved C-110 on which such delivery was made.

(5) After the report form to be furnished by the Commission has been assigned a serial number and approved by an authorized agent of the Oil Conservation Commission, it may be used to support a C-110 for the net oil on hand at the end of the reported period.

(6) From and after the date of the adoption of this Order, it shall be a violation of the rules of this Commission for any person to place in commerce and/or transfer tank bottom emulsion or waste oil, requiring treatment before meeting pipeline requirements, to anyone other than a permittee holding a permit from this Commission as a processor. *Except those companies treating the*

RULE 2:

**RULE 2:**

(A) "Person" shall mean any natural persons, corporations, associations, partnerships, receivers, trustees, guardians, executors, administrators or a fiduciary, or representative of any kind.

(B) "Treating Plant" shall mean any plant or assembly of machinery or equipment, such as boilers, pipes, tanks, pumps, etc., constructed for the purpose of wholly or partially or being used wholly or partially for reclaiming, treating, processing or in any manner cleaning and making tank bottom emulsion and waste oil marketable.

(C) "Tank Bottom Emulsion" is hereby defined as that substance containing 2% or greater basic sediment and water limited to volume below the tank pipeline outlet, and in the case of lease production tank where the volume exceeds the pipeline outlet the same may be treated and processed upon special order of the Commission only.

(D) "Treated Tank Bottom Emulsion" is hereby defined as that substance containing 2% or greater basic sediment and water limited to volume below the tank pipeline outlet, and in the case of lease production tank where the volume exceeds the pipeline outlet the same may be treated and processed upon special order of the Commission only.

(D) "Treated Tank Bottom Emulsion" shall mean the recovered product from the treating, reclaiming, processing or cleaning of tank bottom emulsion and waste oil. This term shall be used by treating plants in the application for (C-110.)

(E) "Waste Oil" shall include nit oil not up to pipeline

(E) "Waste Oil" shall include pit oil, lime break oil, gasoline plant catchings not up to pipeline requirements, which for the purpose of this Order shall carry the same requirements as to reporting as does tank bottom emulsion as set out above.

RULE 3:

(1) "Waste Oil" shall include pit oil, lime break oil, gasoline plant catchings not up to pipeline requirements, which for the purpose of this Order shall carry the same requirements as to reporting as does tank bottom emulsion as set out above.

RULE 3:

(1) Nothing contained in this Order shall apply to treating plants operated by the person operating the properties or gasoline plant facilities or pipeline facilities from which the emulsion or waste oils are obtained.

RULE 4:

RULE 4:

(1) The products reclaimed or salvaged from the processing of tank bottom emulsion or waste oil, shall not be charged against the allowable of any well or unit from which it may have been produced.

IT IS FURTHER ORDERED BY THE

IT IS FURTHER ORDERED BY THE COMMISSION:  
That this

That this Order shall control all rules and regulations with reference to the same subject matter and in conflict herewith if any.

IT IS FURTHER ORDERED BY THE COMMISSION:

IT IS FURTHER ORDERED BY THE COMMISSION:  
That this

That this closet be kept open for such other and further orders as may be necessary and appropriate in the premises.

DISTRIBUTION: [illegible]

DISTRIBUTED BY  
LEA COUNTY OPERATORS COMMITTEE  
HOBBS, NEW MEXICO  
November 3, 1947

**Railroad Commission of Texas**

**OIL AND GAS DIVISION**

COMMISSIONERS  
ERNEST O. THOMPSON  
CHAIRMAN  
WILLIAM J. MURRAY, JR.  
OLIN CULBERSON  
K. C. MILLER, SECRETARY



AUSTIN, TEXAS

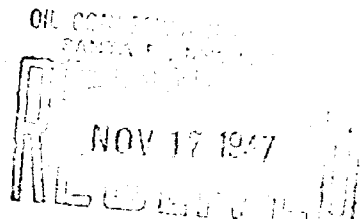
November 12, 1947

HARRY M. BATIS  
CHIEF SUPERVISOR

JACK K. BAUMEL  
CHIEF ENGINEER

L. E. DAVIS  
AUDITOR

*Copy for  
Lays, Bills  
Lake, Graham*



New Mexico Oil Conservation Commission  
Santa Fe, New Mexico

Attention: Mr. Dick Spurrier

Gentlemen:

In connection with the operations of tank cleaning plants in our West Texas District, we have, from time to time in the past, had occasion to check receipts into these plants and make other investigations with regard to whether or not such plants are actually being operated for the purpose of reclaiming tank bottoms. Our experience as a whole has been that sometimes some of these so-called tank cleaning plants are used more or less as a screen or blind to aid in the disposal of oil produced in excess of the allowable production, rather than for the purpose of actually processing tank bottoms. Specifically, we have noted that as the price of crude oil increases in some localities, the cleaning of lease production tanks becomes more frequent. This, of course, leads to the conclusion that sometimes material other than BS&W finds its way into this type of plant.

In making some routine checks last month, we took some samples and made some shake-out tests on some unprocessed material located in the Hardin-Houston Tank Bottom Processing Plant, located at Denver City, in Yoakum County. This material that we sampled and tested for BS&W Content in this instance was moved into this State from New Mexico. It moved in as "tank bottoms" and our testing of it, by centrifuge tests made according to the procedure outlined in API Code No. 25, Section V, showed that approximately three-fourths of it was pipe line oil.

I have not had the opportunity of familiarizing myself with such regulations as are in effect in your State pertaining to the cleaning of tanks that are used in the handling of crude oil. I do not know, therefore, if I am correctly informed; but I am told that your body makes no charge back in any manner of the oil contained in the tank bottom. If no charge back is made, it may account for the high percentage of pipe line oil that we found in the so-called "tank bottoms" that are above referred to.

Our investigation, as concerns the instance just mentioned, has led us to call a hearing for the purpose of determining whether or not the Commission's permit heretofore given this concern to operate a tank bottom processing plant should be revoked. This hearing has been set for December 10, 1947, at the Commission's Office, in the Petroleum Building, at Midland, Texas.



November 13, 1947

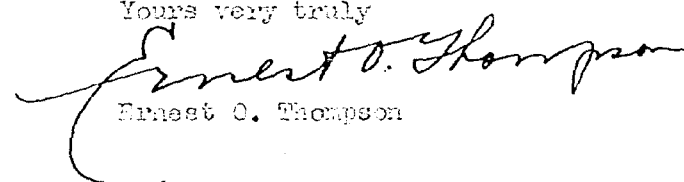
Inasmuch as the matter at hand is one that very obviously is of concern to both New Mexico and Texas, I take this opportunity of inviting your comments with respect thereto, prior to the time that we meet for this hearing. We would like for your State Regulatory Agency to be represented at this hearing if you think it proper to attend.

I am taking the liberty of sending you herewith a copy of our order now in effect, regulating the cleaning of tanks and the operation of tank cleaning plants in Texas. This order, which I am sending you, is the most recent revision of our original order in this respect, and which original order was issued some eight years ago. Prior to this last revision of it, we charged back only the "merchantable oil" contained in a tank bottom. To arrive at the amount of "merchantable oil" in a tank bottom, we provided that the "free oil" was to be bled from samples, after proper settling; and then provided that our centrifuge samples should be taken from this "free oil," and that the "merchantable oil" would constitute that portion of the "free oil" that contained 2 per cent or less of BS&W. With the first major increase in the price of crude oil that came on some time ago, we immediately noted that the cleaning of tanks became much more frequent; and we first attempted to cope with the situation by placing a time limit on the frequency of tank cleaning. This method, however, did not prove feasible due to varied producing conditions even in the same field. As a result, therefore, we found it expedient to revise our tank cleaning order in such manner as to charge back all of the oil contained in the tank bottom and thereby remove the incentive for cleaning tanks more often than producing conditions make it actually necessary. It is for this reason that our tank cleaning order that we send you herewith was revised in September of this year.

It seems to me that it is to be expected that in the future more frequent movements of so-called "tank bottoms" will take place from New Mexico into Texas. We would like, therefore, to familiarize ourselves with such rules as have been laid down by your body to regulate the cleaning of tanks and processing of tank bottoms; and will appreciate copies of such rules in connection therewith as are now in effect in your State. It seems to me, also, that this situation presents a great opportunity and an urgent necessity for close cooperation as between our two regulatory bodies.

I think the problem could be materially simplified for all concerned if the two regulatory bodies involved could adopt a similar definition of what constitutes a tank bottom, and provide a uniform system of handling tank bottom material. I would therefore, appreciate having a copy of your order or orders concerning this matter; and I would appreciate your giving me your comments and ideas concerning the applicableness of the provisions of our order to tank cleaning operations in your State. It is hoped that when you have had an opportunity to study our order, and we have had an opportunity to make a similar study of your order, that we will be able to work out some procedure that will be satisfactory to all concerned.

Yours very truly

  
Ernest O. Thompson

RAILROAD COMMISSION OF TEXAS  
OIL AND GAS DIVISION

OIL AND GAS DOCKET NOS. 108,  
120, 123, 124, 125, 126, 128,  
129, 132 and 146

IN RE: CONSERVATION AND PREVENTION  
OF WASTE OF CRUDE PETROLEUM  
AND NATURAL GAS IN THE  
STATE OF TEXAS

#20-11,302

Austin, Texas  
September 29, 1947

SPECIAL ORDER REGULATING TANK CLEANING, PLANTS  
PROCESSING TANK BOTTOMS, AND RECLAIMING OF WASTE OIL

WHEREAS, After the giving of notice for the time and in the manner required by law, the Railroad Commission of Texas held a hearing in its Hearing Room, in the Tribune Building, at Austin, Texas, on July 18, 1947, for the purpose of receiving testimony and evidence concerning whether or not there exists a necessity for amending the Commission's rules and regulations now in effect, and regulating the cleaning of tanks used in connection with the production and storage of crude oil in the State of Texas, and the processing and reclaiming of tank bottoms, waste oil, wash-in oil, creek oil, pit oil, pipe line break oil, and similar types and kinds of oil; more particularly whether or not the Commission's Order Numbered 20-1184, dated January 4, 1940, as amended by Order No. 20-1573, dated May 17, 1940, and Order No. 20-4271, dated December 10, 1942, should be further amended to accurately accomplish the proper gauging, testing, and accounting to the Commission of all oil and products thereof in storage at any point in the State; and

WHEREAS, Pursuant to the evidence adduced at said hearing and the experience of the Commission in connection with operations under its aforesaid Order No. 20-1184, as subsequently amended, the Commission is of the opinion and finds that said order and the aforesaid amendments thereto should be cancelled and the following rules and regulations adopted in lieu thereof.

NOW, THEREFORE, IT IS ORDERED By the Railroad Commission of Texas that effective October 1, 1947, its Orders Numbered 20-1184, 20-1573, and 20-4271, respectively, be and they are hereby cancelled, and in lieu thereof and effective as of October 1, 1947, the following rules and regulations are hereby adopted to govern, regulate, and control the cleaning of all tanks used in the handling, production, and/or measuring, and storing of crude oil in the State of Texas, the processing of tank bottoms, the construction and operation of treating plants, and the picking up, reclaiming, and/or salvaging of wash-in oil, creek oil, pit oil, and pipe line break oil; to wit:

Section I.  
(Definition of Terms)

(a) The word "person" where used in Section II, Section III, Section IV, or Section V hereof shall mean any natural person, corporation, association, partnership, receiver, trustee, guardian, executor, administrator, or a fiduciary or representative of any kind.

(b) The phrase "tank bottom" or "tank bottoms" where used in Section II, Section III, Section IV, or Section V hereof shall mean that accumulation of hydrocarbon material and other substances which settle naturally below crude oil in tanks and receptacles that are used in the handling and storing of crude oil, and which accumulation contains in excess of two (2%) per cent of basic sediment and water; provided, however, that with respect to lease production and/or lease storage tanks (exclusive of settling tanks or gun-barrels used on a lease) a tank bottom shall be limited to that volume of the tank in which it is contained that lies below the bottom of the pipe line outlet thereto.

(c) The phrase "treated tank bottom" or "treated tank bottoms" where used in Section II, Section III, Section IV, or Section V hereof shall mean the recovered products resulting from the treating, reclaiming, processing or cleaning of a "tank bottom" or of "tank bottoms" as herein defined.

(d) The phrase "treating plant" where used in Section II, Section III, Section IV, or Section V hereof shall mean any plant or assembly of machinery or equipment such as boilers, pipes, tanks, pumps, et cetera, constructed for the purpose of wholly or partially or being used wholly or partially for reclaiming, treating, processing, or in any manner making tank bottoms marketable.

Section II.

RULE 1. The provisions of this section (Section II) of this order shall be of statewide application and shall govern the cleaning of all lease production or lease storage tanks and the removal of tank bottoms therefrom with the following exceptions; to wit:

September 29, 1947

(a) The provisions hereof shall not apply to the cleaning of lease production or lease storage tanks and the removal of tank bottoms therefrom where such tank bottoms are recycled on the lease where produced, where there results no change in the custody or control of such tank bottoms during such recycling process, and where the oil component of the recycled tank bottoms is not disposed of except through the transporter duly authorized by the producer, as shown on SW-1 Form filed with the Commission, to transport oil therefrom.

RULE 2. Application for tank bottom cleaning permits shall be made on the Commission's adopted Form ES-A, which form shall be filled out completely and approved by the Railroad Commission's Agent before any tank bottom is removed from any tank to which the provisions of this section (Section II) of this order are applicable.

RULE 3. No tank bottom to which the provisions of this section (Section II) are applicable shall be removed from any lease production or lease storage tank that is used or that has been used in connection with the producing, measuring, handling, and/or storing of crude oil unless such tank bottom has been tested as follows:

(a) At least two (2) gauges which check shall be taken on each tank for which a tank cleaning permit is sought - one gauge of which shall be witnessed by an employee of the Railroad Commission and the results thereof recorded on Commission Form ES-A.

(b) A sample shall be taken by an Employee of the Railroad Commission from as many places as are available on the tank for which a tank cleaning permit is sought by means of a thief so constructed as to accurately show a true vertical section of the tank bottom being sampled, and each such sample shall be tested by an Employee of the Railroad Commission in the manner prescribed in the following paragraph to determine the per cent of oil contained therein.

(c) The determination of oil contained in the tank bottom shall be according to the standard centrifugal test as prescribed by the American Petroleum Institute's code for measuring, sampling, and testing crude oil, Number 25, Section 5, except that no heat shall be applied to the samples before centrifuging. Each sample of tank bottom obtained shall be tested for oil content in accordance with the procedure herein specified and the results of the shake-out of each sample shall be recorded on Commission Form ES-A. An average of the results obtained from testing of the samples, where more than one sample is tested, shall be used in determining the volume of oil contained in the tank bottom from which such samples were taken.

*CHARGE BACK* (d) The oil contained in the tank bottom, determined according to the provisions of the immediately preceding paragraph, shall be charged against the allowable of the well or wells producing into the tank where such tank bottom accumulated.

### Section III.

RULE 1. The provisions of this section (Section III) of this order shall be of statewide application and shall govern the cleaning of all tanks and removal of tank bottoms therefrom that are used or that have been used in connection with the handling of crude oil at pipe line stations, crude oil storage terminals, and refineries, and all other tanks that are used or have been used in the storing or handling in any way of crude oil with the following exceptions; to wit:

(a) The provisions hereof shall not apply to the cleaning and removal of tank bottoms from lease production and/or lease storage tanks to which the provisions of Section II of this order apply.

(b) The provisions hereof shall not apply to the cleaning of tanks and removal of tank bottoms from tanks located at a pipe line station, crude oil storage terminal, or refinery where such tank bottoms are recycled at the pipe line station, crude oil storage terminal or refinery where such bottoms accumulated, where the oil contained in such tank bottoms is reported to the Railroad Commission as a part of the inventory and tenderable balance of the owner or operator of such pipe line station, crude oil storage terminal, or refinery, and where, after recycling of such tank bottoms, the oil component of such recycled tank bottoms is disposed of as a part of the regular deliveries of crude oil from such pipe line station, crude oil storage terminal, or refinery.

RULE 2. Applications for tank bottom cleaning permits shall be made on the Commission's adopted Form ES-A, which form shall be filled out completely and approved by the Railroad Commission's Agent before any tank bottom is removed from

September 29, 1947

any tank to which the provisions of this section (Section III) of this order are applicable.

RULE 3. No tank bottom to which the provisions of this section (Section III) are applicable shall be removed from the tank in which such is contained unless such tank bottom has been tested as follows:

(a) At least two (2) gauges which check shall be taken on each tank for which a tank cleaning permit is sought - one gauge of which shall be witnessed by an employee of the Railroad Commission and the results thereof recorded on Commission Form ES-A.

(b) A sample shall be taken by an employee of the Railroad Commission from as many places as are available on the tank for which a tank cleaning permit is sought by means of a thief so constructed as to accurately show a true vertical section of the tank bottom being sampled, and each such sample shall be tested by an employee of the Railroad Commission in the manner prescribed in the following paragraph to determine the per cent of oil contained therein.

(c) The determination of oil contained in the tank bottom shall be according to the standard centrifugal test as prescribed by the American Petroleum Institute's code for measuring, sampling, and testing crude oil, Number 25, Section 5. Each sample of tank bottom obtained shall be tested for oil content in accordance with the procedure herein specified and the results of the shake-out of each sample shall be recorded on Commission Form ES-A. An average of the results obtained from testing of the samples, where more than one sample is tested, shall be used in determining the volume of oil contained in the tank bottom from which such samples were taken.

(d) The oil contained in the tank bottom, determined according to the provisions of the immediately preceding paragraph, shall be charged against the tenderable balance of the owner or operator of such tank.

#### Section IV.

RULE 1. The provisions of this section (Section IV) of this order shall be applicable to and shall govern all treating plants with the following exceptions; to wit:

(a) The provisions hereof shall not be applicable to the operation of recycling tank bottoms on the lease where produced that are contained in lease production and/or lease storage tanks, and where there results no change in the custody or control of such tank bottoms during the recycling of such bottoms, and where the recycled tank bottom is not disposed of except through the transporter authorized by the producer, as shown on SW-1 Form filed with the Commission, to transport oil therefrom.

(b) The provisions hereof shall not be applicable to the operation of recycling tank bottoms contained in a tank or tanks located at a pipe line station, crude oil storage terminal, or refinery where the oil contained in such tank bottoms is reported to the Railroad Commission as a part of the inventory and tenderable balance of the owner or operator of such pipe line station, crude oil storage terminal, or refinery, and where the recycled tank bottom is not disposed of except as a part of the regular deliveries of crude oil from such pipe line station, crude oil storage terminal, or refinery.

RULE 2. No treating plant to which the provisions of this section (Section IV) of this order are applicable shall operate except in conformity with the following rules and regulations; to wit:

(a) Every person desiring to operate, or cause to be operated, a treating plant to which the provisions of this order are applicable shall, before he begins the construction thereof, apply to the Commission in writing for a temporary permit. Such application shall give the location where the proposed plant is to be built, and shall state in detail the type of plant contemplated and method of processing proposed to be used. The Commission shall set such application for a hearing in not less than twenty (20) days, and if satisfied from the evidence presented thereat that the proposed plant and method of processing will actually and efficiently process, treat, and reclaim tank bottoms, a temporary permit will be granted authorizing the construction of such plant under the Commission's supervision. The foregoing requirement as to temporary permits shall have no application to treating plants already in existence and capable of efficiently processing, treating, and reclaiming tank bottoms.

September 29, 1947

No person or persons shall operate or cause to be operated a treating plant without having first applied for and obtained an operating permit from the Commission, and such permit will be granted only after the plant has been completed, tested, and approved and upon a showing satisfactory to the Commission, from such application and the evidence in support thereof, and its own investigations and a favorable decision of the Commission, that the proposed treating plant is constructed, equipped and managed to treat or process tank bottoms and so as to reclaim and conserve tank bottoms.

Such operating permit, if granted, shall be valid for only one (1) year, and shall be revocable at any time after hearing is had on ten days' notice, if, in the judgment of the Commission, the treating plant to which such permit relates is so constructed or equipped or operated as not to reclaim and conserve tank bottoms; or if, in the judgment of the Commission, the owner or operator of such treating plant, in the construction or operation thereof has violated or is violating any law of the State of Texas relating to the production, transportation, processing, refining, treating, and marketing of crude oil, or its products, or any law of said State adopted to conserve the oil and gas resources of the State of Texas, or any rule or regulation of the Commission enacted under and in pursuance of said laws.

(b) The total amount of products secured from tank bottoms by a treating plant processing tank bottoms and operating in conformity with the provisions of this order shall be entitled to a tender.

(c) Any treating plant operating under these rules and regulations shall on or before the 15th day of each calendar month file in the District Office of the Commission a monthly report on the Commission's adopted Form R.P. Each such monthly report shall contain full and accurate information covering the following details of the business conducted by such reporting company during the period covered by the report. The report shall cover the period beginning at 7 o'clock a.m. on the first day of the calendar month reported, and ending at 7 o'clock a.m. on the first day of the calendar month next succeeding. The data required in each report shall be:

(1) The number of barrels of each kind of tank bottoms and treated tank bottoms on hand or in the possession, custody, or control of such plant at the beginning and close of such reported period, and the location where all of such tank bottoms and treated tank bottoms were held, including the location and identification of each tank or place of deposit.

(2) The number of barrels of each kind of tank bottoms and treated tank bottoms which came into the possession of such plant during such reported period. Each quantity of tank bottoms so reported shall be identified by the transportation permit number authorizing its taking.

(3) The number of barrels of tank bottoms treated and/or processed during such reported period, the number of barrels of treated tank bottoms recovered, and the treating or processing loss during such reported period.

(4) The number of barrels of treated tank bottoms sold and/or delivered and/or transported during the reported period; to whom delivered and/or transported, together with the approved tender number on which such delivery was made.

(5) After the Form R. P. has been assigned a serial number and approved by an authorized Agent of the Railroad Commission, it may be used to support delivery tenders covering treated tank bottom or tank bottoms on hand at the end of the reported period.

#### Section V.

RULE 1. The provisions of this section (Section V) of this order shall apply to any person picking up, reclaiming, or salvaging any wash-in oil, creek oil, pit oil, pipe line break oil, or similar kind or class of oil with the following exception; to wit:

(a) The provisions hereof shall not apply in connection with the picking up and returning to the pipe line from which it escaped of pipe line break oil that is picked up and returned to the line from which it escaped at the place that the pipe line break occurred and at the time that such pipe line break is repaired; provided, however, that such authority as is herein granted for the picking up of pipe line break oil shall not relieve the operator of such pipe line of notifying the Commission of such pipe line break, and the furnishing to the Commission of the information required by the provisions of Rule 26 of the Commission's rules of statewide application.

RULE 2. All applications for permits provided for herein shall be made in writing under oath to the District Office of the Commission having jurisdiction. Any person desiring to pick up, reclaim, or salvage any wash-in oil, creek oil, pit oil, or pipe line break oil to which the provisions hereof are applicable shall obtain in writing a permit from the Commission's Deputy Supervisor having jurisdiction before picking up, reclaiming, or salvaging the same.

RULE 3. (a) All applications for permits to pick up, reclaim, or salvage wash-in oil shall state the name and location of the lease, the number of the well or wells in which such oil was used for wash-in purposes, the operator of such lease, and the date on which it was used. Such application shall also show the source of the oil, giving the name and location of the lease and the operator thereof, together with the number of the well or wells from which produced, and the date that it was acquired for wash-in purposes. After use for wash-in purposes the oil content determined as provided in Subsection (c), Rule 3, Section II, of this order shall be charged against the allowable of the well or wells in which it was used in the same manner as is provided for the charging of tank bottoms against allowable oil production.

(b) Applications for permits to pick up, reclaim, or salvage creek oil shall state the location of the creek oil, the name of the creek, if known, and the source of such oil including name of the operator, the lease, and the number of the well or wells from which it was produced. Such application shall also state, if known, the date on which such oil escaped into such creek and the cause for same. The oil content in such creek oil determined as provided in Subsection (c), Rule 3, Section II, of this order shall be charged against the allowable of the well or wells which produced it in the same manner as is provided for the charging of tank bottoms against allowable production.

(c) Applications to pick up, salvage, or reclaim pit oil shall describe and identify the location of the pit or pits where it is located, and the name of the person in whose possession or under whose control the pit oil or other substance containing oil is to be found. Such application shall also describe the well or wells from which such pit oil or other fluid or substance containing oil was produced, the name of the lease on which such well or wells are located, and the name of the owner, operator, or manager thereof, and this description shall be made with sufficient definiteness and clarity as to enable the Railroad Commission to charge against the allowable production of the wells which produced such pit oil the oil reclaimed and/or extracted therefrom and/or utilized and/or marketed. The oil content of such pit oil determined as provided in Subsection (c), Rule 3, Section II, of this order shall be charged against the allowable of the well or wells which produced it in the same manner as is provided for the charging of tank bottoms against allowable production.

(d) Applications to reclaim pipe line break oil shall state the location of such oil, the location of the break in the pipe line causing the leakage of such oil, the name of the pipe line, the owner thereof, and the date of the break. Pipe line break oil that is not returned to the pipe line from which it escaped at the place that the pipe line break occurred and at the time that such break is repaired shall be charged against the present and future tenderable balance inventory of the pipe line from which it escaped.

IT IS FURTHER ORDERED That this cause be held open on the docket for such other and further orders as may be necessary and supported by evidence of record.

RAILROAD COMMISSION OF TEXAS

Ernest O. Thompson, Chairman

Olin Culberson, Commissioner

(S E A L)

ATTEST:

K. C. Miller, Secretary

STATE OF NEW MEXICO  
OFFICE OF STATE GEOLOGIST  
SANTA FE, NEW MEXICO

December 9, 1947

Mr. W. E. Hubbard  
P. O. Box 2180  
Houston 1, Texas

Dear Mr. Hubbard:

This will acknowledge your letter of December 1 in which you make a protest to the recommendations submitted by M. C. Brunner, Chairman of the Advisory Committee to the Oil Commission on the matter of tank bottoms.

Please be advised that we are taking full cognizance of this protest and also we should like to add for your record that we have been invited, and will attend a hearing to be held by the Texas Railroad Commission in Midland on December 10th, at which meeting the Texas Railroad Commission is investigating tank cleaners Hardin & Houston, who are reported to have transported tank bottoms which were about 75% pipeline oil from the State of New Mexico into Denver City, Texas.

We, at this time, do not intend to issue a final order in the matter of tank cleaning until the record of the Texas Commission is in our files.

Very truly yours,

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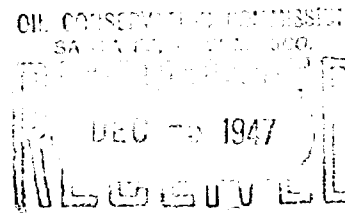
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**HUMBLE OIL & REFINING COMPANY**

POST OFFICE BOX 2180  
**HOUSTON 1, TEXAS**

December 1, 1947



Oil Conservation Commission  
Santa Fe, New Mexico

Gentlemen:

We have received a copy of proposed tank cleaning regulations which were forwarded to you by Mr. M. C. Brunner, Chairman of a committee appointed after the statewide hearing on October 15. We wish to enter a protest against the adoption of the proposed regulations.

At the hearing on October 15, Mr. Glenn Staley presented the report of the Lea County Operators' Subcommittee appointed to study this problem. The following is quoted from Mr. Staley's report:

"In the second place, we believe that the Commission should include in any order with reference to the processing of tank bottoms or pits a provision that the net oil contained in the tank or pit as determined by API method of testing, shall be charged against the allowable of the lease served by that tank or pit."

We feel sure that a substantial majority of the producers in whose behalf this report was made are opposed to any order which does not charge to the allowable the net oil contained in the pit or tank. This was the view of all of the producers who expressed themselves at the hearing.

The proposed order does not charge the salvaged oil to the allowable and, for this reason, we are opposed to its adoption. We believe that the proposed order fails to give adequate protection to the royalty owners, including the State and Federal Governments, the taxing authority, and the other producers.

Yours very truly

A handwritten signature in cursive script, appearing to read "E. E. Hubbard".

E. E. Hubbard

cc: Mr. Glenn Staley  
Mr. M. C. Brunner



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

Minutes of  
Special Meeting  
held  
September 17, 1947  
at  
Santa Fe, New Mexico

Cases:   No. 101  
          "   109  
          "   110  
          "   111

NOTICE OF PUBLICATION  
STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

"The Oil Conservation Commission of New Mexico, pursuant to law, hereby gives public notice of the following hearings to be had at a special meeting of the Commission to be held September 17, 1947, beginning at 10:00 A. M. on said date at Santa Fe, New Mexico:

STATE OF NEW MEXICO TO:

All named parties in the following cases,  
and notice to the public:

"Case 101

In the matter of the application of American Employers Insurance Company for an order directed to Frank Griggs, Lubbock, Texas, John Darden, Lubbock, Texas, and John H. Hawkins, Fort Sumner, New Mexico to show cause why a well located in the NE $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 11, Township 4 North, Range 26 East, DeBaca County, New Mexico should not be declared abandoned and ordered plugged.

"Case 109

In the matter of the application of Leonard Oil Co., Roswell, New Mexico for an order approving an unorthodox location for the Leonard State No. 6 well in the NW $\frac{1}{4}$ NW $\frac{1}{4}$  of Section 28, Township 17 South, Range 29 East, Eddy County, New Mexico, the allocation of production of said described tract and unconditional approval of a C-110 for the well.

"Case 110

In the matter of the application of Hardin-Houston, a partnership, Hobbs, New Mexico for a general order regulating tank cleaning, plants processing tank bottoms and recleaning of waste oil and transportation of tank bottoms and waste oil.

"Case 111

In the matter of application of G. B. Suppes to unitize the E $\frac{1}{2}$ NE $\frac{1}{4}$  of Section 33, Township 16 South, Range 31 East, N. M. P. M., Eddy County, New Mexico and for approval of two unorthodox locations thereon, (1) 330 ft. from the East line and 1270 ft. from the North line of Section 33, (2) Located 990 ft. from the East line and 1370 ft. from the North line of said Section 33, in Township 16 South, Range 31 East, N. M. P. M.

"Given under the seal of the Oil Conservation Commission of New Mexico, at Santa Fe, New Mexico on August 29, 1947.

OIL CONSERVATION COMMISSION

BY: (SGE) R. R. SPURRIER

R. R. SPURRIER, Secretary

LEA COUNTY OPERATORS COMMITTEE  
September 1, 1947"

Said meeting was called at 10:00 o'clock A. M., Wednesday, September 17, 1947, in the Coronado Room of La Ponda Hotel, Santa Fe, New Mexico.

MEMBERS OF THE COMMISSION PRESENT:

Hon. John E. Miles, State Land Commissioner, Member  
 Hon. R. R. Spurrier, Secretary, Oil Conservation  
 Commission, Member  
 Hon. Luke J. Frazier, Attorney  
 Hon. George Graham, Attorney

<u>Name</u>	<u>REGISTER</u> <u>Company</u>	<u>Location</u>
Chuck Aston	Consulting Petroleum Geologist	Artesia, N.M.
Donald S. Bush	Lawyer	Artesia, N.M.
Robert B. Kennedy	Petroleum Engineer	Artesia, N.M.
Roy D. Yarbrough	Oil Conservation Commission	Hobbs, N.M.
W. D. Girard, Jr.	Lawyer	Hobbs, N.M.
J. B. Hardin	Hardin-Houston	Hobbs, N. M.
Glen Staley	Lea County Operators	Hobbs, N.M.
W. B. Macey	Oil Conservation Commission	Artesia, N.M.
J. N. Dunlevey	Skelly Oil Company	Hobbs, N.M.
Walter Famariss, Jr.		Hobbs, N.M.
L. E. Slagle	Shell Oil Company	Hobbs, N.M.
H. D. Murray	The Texas Company	Midland, Tex.
Paul C. Evans	Gulf Oil Corporation	Hobbs, N.M.
Henry Forbes	Continental Oil Company	Midland, Tex.
N. R. Lamb	New Mexico Bureau of Mines	Artesia, N.M.
J. W. House	Humble Oil Co	Midland, Tex.
W. E. Hubbard	" " "	Houston, Tex.
John M. Kelly	Independent	Roswell, N.M.
Emmett D. White	Leonard Oil Company	Roswell, N.M.
Oliver Seth	American Employers Insurance Company and Leonard Oil Co.	Santa Fe, N.M.
Otis Ramsey		

PROCEEDINGS

The meeting was called to order by Commissioner Miles,  
 Presiding Member. Case No. 101 was called by Attorney  
 George Graham.

Case No. 101

BY MR. OLIVER SETH:

The testimony concerning the abandonment of this well was taken at a hearing of the Commission held on the 15th day of July, 1947, and if there is no objection we would like to have the record show that there has been no change since that time, and that the testimony taken at that time is submitted at this time, as there are no new developments.

MR. SPURRIER:

That is Okey.

COMMISSIONER MILES:

That is Okey.

Case No. 109

BY MR. OLIVER SETH:

This application for an order approving an unorthodox location concerns the deepening of a well heretofore drilled under authority of the State Land Office and the State Geologist, and I would like to call Mr. Emmett White, of the Leonard Oil Company to the stand.

TESTIMONY OF MR. EMMETT D. WHITE, after having  
been duly sworn:

MR. SETH:

Q. Please state your name.

A. My name is Emmett D. White.

Q. You are with the Leonard Oil Company?

A. Yes, sir.

Q. You are familiar with the petition concerning State Well No. 6?

A. Yes.

Q. Would you state to the Commission when the well was first drilled?

A. This well was first drilled as a gas well in 1931, late in the year.

Q. It was drilled under authority of the then State Geologist?

A. Yes.

Q. Approximately how deep was the well?

A. It was drilled to a total depth of 2343 feet.

Q. At the time it was drilled what was the location believed to be?

A. The well was believed to be in the center of the NW $\frac{1}{4}$  of Section 28, Township 17 South, Range 29 East.

Q. Has a subsequent survey shown that it is otherwise located?

A. Yes. We had a survey of this location made at the time we were considering deepening the well and a careful check by a registered surveyor showed that it was 1317 feet east of the west line and 1317 feet south of the north line of the section.

Q. Do you state that the well was originally drilled as a gas well?

A. Yes.

Q. And it produced gas in commercial quantities over a period of time?

A. Yes, until about eighteen months ago.

Q. Then you desired to deepen it as an oil producing well?

A. Yes.

Q. Did you apply to the Commission at that time for authority to so deepen the well?

A. Yes.

Q. To what forty do you desire the allowable to be allocated?

A. We only want the allowable to be allocated to the forty the well is in: the NW $\frac{1}{4}$ NW $\frac{1}{4}$  of Section 28.

MR. SETH:

That is all, unless there are any further questions by the Commission.

COMMISSIONER MILES:

There are no further questions.

Case No. 111

BY MR. DONALD S. BUSH:

This is an application by G. B. Suppes for approval of two unorthodox locations, No. 2 well to be located 350 feet from the east line and 1270 feet from the north line of Section 33, and No. 1 well to be located 990 feet from the east line and 1370 feet from the north line of said Section 33, in Township 16 South, Range 31 East, N. M. P. M. All of this acreage is located approximately in the Square Lake Field, in Eddy County, New Mexico. It is all federal acreage and is under lease bearing Las Cruces Serial No. 056,302-B.

The reason for the application is to enact conservation measures in that upper area and in the petition to the Commission we have alleged that the unit will not produce from either 40-acre tract more than ten barrels above the current top allowable assigned to the 40-acre unit.

I would like to call Mr. Chuck Aston as witness, if the Commission please.

TESTIMONY OF MR. CHUCK ASTON, after having been duly sworn:

MR. BUSH:

Q. Have you qualified as a consulting petroleum geologist before the Commission?

A. Yes.

Q. How long have you practiced as a consulting geologist in Artesia?

Q. And it produced gas in commercial quantities over a period of time?

A. Yes, until about eighteen months ago.

Q. Then you desired to deepen it as an oil producing well?

A. Yes.

Q. Did you apply to the Commission at that time for authority to so deepen the well?

A. Yes.

Q. To what forty do you desire the allowable to be allocated?

A. We only want the allowable to be allocated to the forty the well is in:- the NW $\frac{1}{4}$ NW $\frac{1}{4}$  of Section 28.

MR. SETH:

That is all, unless there are any further questions by the Commission.

COMMISSIONER MILES:

There are no further questions.

Case No. 111

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The reason for the application is to enact conservation measures in that upper area and in the petition to the Commission we have alleged that the unit will not produce from either 40-acre tract more than ten barrels above the current top allowable assigned to the 40-acre unit.

I would like to call Mr. Chuck Aston as witness, if the Commission please.

TESTIMONY OF MR. CHUCK ASTON, after having been duly sworn:

MR. BUSH:

Q. Have you qualified as a consulting petroleum geologist before the Commission?

A. Yes.

Q. How long have you practiced as a consulting geologist in Artesia?

A. Approximately six years.

Q. Are you acquainted with the Square Lake field?

A. Yes.

Q. Will you tell the Commission why you believe these two unorthodox locations, and approval of the unit agreement for proration purposes would be advisable?

A. It is my considered opinion that with the relative permeability and periodicity of the producing horizons in this portion of the Square Lake field, the spacing pattern of one well to each 40-acre unit does not allow for proper drainage or maximum drainage of that 40-acre unit; and that because of this center location in the forty, the locations requested are the only equitable manner in which the operator in question can drill additional wells on these two 40-acre units.

Q. Has the U. S. D. I., through the Geological Survey, offered any objections, or have they waived any objections?

A. They have waived all objections, subject to the approval of the Commission, in a letter signed by Foster Morrell.

Q. Have the owners of the acreage adjacent to these two forties containing the two unorthodox locations waived any objections?

A. They have.

Q. And this is evidenced by their signatures to the application itself?

A. Yes.

MR. SPURRIER: Has the Department of the Interior, through the Geological Survey, made any provision for the assigning, or not assigning, of any part of this lease where this fifth well is drilled? I understand that the U. S. G. S. has that authority -- they can refuse to let any part of this lease be assigned.

A. Mr. Morrell has made a stipulation that in the event these two locations are not approved by the Commission he will not approve drilling operations; that these two forty-acre units will be considered as one for the life of this lease. Whether that is all that will ultimately be required by Mr. Morrell we do not know at present, but those stipulations are being signed now.

MR. GRAHAM: Would production from this eighty acres ever exceed the allowable for the two forties?

MR. BUSH:

No, it is not the desire of the petitioner to request any excess above the top allowable for either of these forties.

MR. SPURRIER:

Are there any further questions from anyone else in this case?

(No response)

Case No. 110

BY MR. GIRAND for Neal and Girand:

We enter our appearance for the petitioner, and call Mr. J. B. Hardin to the stand.

TESTIMONY OF MR. J. B. HARDIN, after having been duly sworn:

MR. GIRAND:

If the Commission please, at the regular hearing of the Oil Conservation Commission held July 15, 1947, the application of Walter Famariss, in Case No. 104 was heard; and testimony was adduced at that hearing pertinent to the subject matter of this application. For the purpose of shortening the record and in order not to encumber it unnecessarily by going over the testimony given at that hearing, the petitioner adopts the record in Case No. 104 as if presented here, if that meets the Commission's approval and there are no objections.

Q. State your name.

A. J. B. Hardin.

Q. You are a member of the firm of Hardin-Houston?

A. Yes. It is a partnership composed of myself and Earl Hardin.

Q. You are located at Hobbs, New Mexico.

A. Yes.

Q. Your business is tank cleaning and treating of waste oils in that area.

A. Yes.

Q. You are the petitioner in Case No. 110, being a request for a general order regulating tank cleaning, plants processing tank bottoms, and the processing and transportation incident thereto?

A. Yes.

Q. You signed that petition on behalf of the partnership?

A. Yes.



Q. You are familiar with the statements of fact made in that petition?

A. Yes.

Q. Are these true and correct to your own knowledge?

A. Yes, they are.

MR. GIRAND:

In the application I failed to suggest that the processor be placed under bond. Upon consideration of the matter since filing the application, I do believe that a bond of \$5,000 or \$10,000 would be adequate. Of course the amount could be governed by the extent of the processors operations, but a treater of this oil should be placed under some bond in a penal sum to insure compliance with the laws of the state and the regulations of this Commission.

MR. SPURRIER:

Are there any questions from anyone?

BY MR. W. E. HUBBARD, of the Humble Oil Company.

I would like to ask the Commission if it has any intention of issuing a general order governing tank cleanings?

MR. SPURRIER:

The Commission has now received an application to write one, and I think with the testimony that we have in the record at this time there is no alternative except to write an order. We have written an order for Walter Famariss based upon his application presented here before the Commission on July 15, 1947.

MR. HUBBARD:

As there are very few of the operators and representatives of the different oil companies here today, I was wondering if it would not be wise to let each one have a look at a suggested order you might draft, and come back for a hearing after a chance had been given us to look more fully into the matter.

MR. SPURRIER:

To put it in other words: Are you asking for a continuance of this case to give further time for study by the operators?

MR. HUBBARD:

Not so much this case as a state wide order. I understood from some of the testimony this morning that this is what is up for discussion.

MR. SPURRIER:

I think Mr. Girand might explain

that this application is for a general order which would, naturally, be state wide.

MR. GIRAND:

This was the intention of this application. There was no precedent for tank cleaners' operations, and that is why we asked for a general order under which all cleaners could operate.

MR. SPURRIER:

Maybe I can clarify the situation by reading from Case No. 104, application by Mr. Walter Famariss: "In the matter of the application of Walter Famariss, Jr., for permission to purchase and process tank bottoms, pit oil, gasoline plant "catchings" and other oil or waste not otherwise merchantable, and to sell the merchantable crude derived therefrom." Now perhaps Mr. Girand can explain more fully the difference between his petition for Hardin-Houston requesting a general order and the application of Mr. Famariss.

MR. HUBBARD:

Do you have a copy of a draft of an order that you would like to have the Commission issue?

MR. GIRAND:

There was a proposed order filed with the application.

COMMISSIONER MILES:

Do you think the producers are interested in suggesting some form?

MR. HUBBARD:

Yes.

MR. GIRAND:

Whether they enter the proposed order or not, the docket could be kept open for further orders of this Commission from time to time as it may see fit to issue such orders; and if the provisions of that order are not workable, the Commission can amend it so as to make it workable.

MR. HUBBARD:

I think it is a very important question, and would say our company has no objection to the entering of an order. We feel a proper order should provide for permits for the operation of plants and that they should be under the close supervision of the Commission; and the order should provide for

permits for tank cleaners and for an accounting of the oil treated and certainly for adequate reports to the Commission; and it should also provide for exceptions for company cleaners on its own runs and tanks on lease, and I should think the pipe line companies should be excepted from the order and tank farms. I will say this -- that there is some disagreement as to the pipe line companies. Some of us feel that the pipe line company should submit a request for permit to clean tanks along with the operator because they are a very important element in this state when it comes to proration. But some of our pipe lines do not think so. In any event we should like to have a chance to look over any proposed general order of the Commission and know there are a great many others who would like to do the same. It is for this reason that I suggested a full hearing on the question.

MR. GIRAND:

The application has been on file for the required period of time and notice has been given according to law and I think that if the Humble Oil Company has a protest to make, the Commission should hear it and the protest of any other companies. But to delay this man who is trying to get permits and handle this oil in a legitimate way on account of protests which may be made in the future, I submit is unjustifiable, and I do not think the Commission should grant that extension.

MR. HUBBARD:

I do have some ideas of what I think should be incorporated in the order and would like to have a chance to present them at some future date.

COMMISSIONER MILES:

I do not want to delay any procedure or operations that may be necessary to anyone interested; but as new and unfamiliar as I am with this question, I would certainly like to have all the suggestions presented to the Commission before we pass on it.

MR. GIRAND:

I appreciate that, and I am not being arbitrary, but am just trying to be a help to the Commission, and would like to say that if any order the Commission enters based on this hearing is not satisfactory to any of the operators or any of the parties of government, then we will all have an opportunity to come back before the Commission. But for a non-protestant to come in and delay an application on which due notice has been given just on the supposition that there may be a protest presented later on I think is not justifiable.

MR. SPURRIER:

May I ask you a question? This is a suggestion rather than a question: We have already scheduled a hearing for the 15th of October. We have issued just

recently an order for Mr. Fawciss under Case No. 104. It is Mr. Staley's custom to micrograph these orders and publish them to all operators. Would it be agreeable to you, Mr. Girard, if this case could be continued until that time, when the Humble Oil Company or anyone else could bring in evidence which they care to bring forward? It would be for the purpose of gathering more evidence. I can assure you we have no intention to delay unnecessarily.

MR. GIRARD:

One effect of an extension is that until a general order is granted all tank cleaners and operators have nothing to go by. However, if the Commission would grant Hardin-Houston a temporary permit to operate during the pendency of this case, we are perfectly agreeable to the continuance.

COMMISSIONER MILES:

Would any of the other companies like to talk on this matter?

BY MR. GLENN STALEY, representing Lea County Operators:

We have three classes of so-called waste product. That oil which is waste caught in the traps of the gas plants serving the various pools; the waste tank bottoms on tank farms of pipe lines on which the royalty has been paid and the tank bottoms of field tanks belonging to the operators; and I am wondering if the petition presented to the Commission by Hardin-Houston has any provision in it pertaining to regulation by the Commission of the cleaning of the tanks, that is when, how, or by whom.

MR. GIRARD:

The only way that question is covered is that the tank cleaner, transporters and processors are all regulated under the proposed order so that they would all have to report to this Commission the source of the B. S. that they pick up, where delivered and recovery from that B. S. As a practical matter your lease tanks will not have enough to be processed alone -- that is, just one tank at a time. To be on a sound financial basis quantities of 100 bbls. or more should be processed. But the order itself does provide for control over the tank cleaner, processor and transporter.

MR. STALEY:

I believe that the majority of the Lea County Operators would appreciate it if the Commission would hold this over until October 15th, to give them a chance to study the matter and, if the Commission sees fit, it could grant a temporary order to relieve any stress the applicant might be under in regard to moving oil already on hand. I do not think there is any objection to this on the part of the other companies.

COMMISSIONER MILES:

Is there anyone else?

BY MR. OTIS RAMSEY:

I have a plant in operation down there at Maljamar, and if this is not issued as a general order today I am wondering what status I would be in.

COMMISSIONER MILES:

What status are you in now?

MR. RAMSEY:

I am shut down.

MR. SPURRIER:

Answering the question to my mind, Mr. Ramsey: I am not going to point at you, but what is the opinion among those present? Should an order be written as a general statewide order, under which any one may participate without any further appearance before the Commission, in either formal or executive session? Or should the Commission continue to hear each case as in the case of Walter Karmars and now Hardin-Houston?

MR. GIRAND:

I think this question is answered in our proposed order. It requires an applicant to come before the Commission to show the nature of installation, its location, its capacity, and get a permit from the Commission to operate.

COMMISSIONER MILES:

You are operating now?

MR. RAMSEY:

We built sometime in June and you were at that time allowing people to go ahead and gather oil and we have been operating since then, but we have no oil now and will not run until something is done.

COMMISSIONER MILES:

You have not presented an application to the Commission?

MR. RAMSEY:

I have never made application for permit because at the time I started treating no permit was required.

MR. GIRAND:

You understand the proposed order submitted with our application does not open the door wide. It would still be necessary for an applicant for a permit to come before the Commission before it was granted. What I was trying to get over to the Commission was that one general order should apply to all.

MR. SPURRIER:

You mean processors, tank cleaners and transporters?

MR. GIRAND:

Yes, all processors under the same rules, and all tank cleaners and all transporters.

MR. GRAHAM:

You made a statement a while ago that if Hardin-Houston could have a temporary order to enable them to continue operations it would be agreeable?

MR. GIRAND:

It certainly will.

MR. GRAHAM:

Do you intend to amend your petition by that statement so as to allow not only Hardin-Houston but others to be included?

MR. GIRAND:

If they are in business at the present time and if they meet the qualifications under that order, yes. But I do not believe that these men should be jeopardized for a period of thirty days on the supposition that some one may object, because they have had the notice required by law, and I am a firm believer that everyone is entitled to his day in court, but when notice has been given and the day has arrived, they should be ready to present their case. At least if the Commission enters an order it could be changed if it is wrong.

MR. GRAHAM:

You mean enter a temporary order?

MR. GIRAND:

Yes, and if it does not apply it could be amended.

MR. RAMSEY:

Would I have to make application for a permit before I could go ahead?

COMMISSIONER MILES:

Yes.

MR. RAMSEY:

Would it be considered in the next few days? I have a considerable investment.

COMMISSIONER MILES:

We want to help you all we can.

MR. SETH: (for Shell Oil Company)

On behalf of the Shell Oil Company: We do not want to oppose the application and do not want to delay the proceedings, but we are somewhat disturbed as to what effect an order would have on operators in cleaning their tanks. There seem to be two entirely different situations between the operator cleaning his own tanks and those engaged solely in that business. We are interested only in the former and if the general order contemplates regulation of all operators in the operation of their own leases we would like to join in the request for a continuance; because I am of the opinion that the majority did not believe this hearing would cover cleaning of tanks by themselves.

MR. GIRAND:

I do not see where the proposed order places any additional regulation on any operator of his lease. He has a right to process as he wants to.

MR. SETH:

I just wanted to clarify our position if anything was contemplated which would affect the operator.

MR. GIRAND: While it may do so, it was not intended to; but that comes back to the very thing that I am asking for -- some kind of an order now. If the order entered is in error it can be amended.

COMMISSIONER MILES:

Mr. Ramsey, may I ask if you are familiar with the order presented by Hardin-Houston with their application?

MR. RAMSEY:

No, sir. I would like to see it so I could know what we are doing.

COMMISSIONER MILES:

Anybody else?

MR. J. N. DUNLEVY, for the Skelly Oil Company:

We feel that possibly this case should be continued until

October 15th by the Commission, granting Hardin-Houston temporary relief in the meantime. This would give time for further study of the matter and determine the feasibility of a state-wide order.

COMMISSIONER MILES:

Anybody else?

BY MR. H. D. MURRAY, for the Texas Company:

We are not opposed to the granting of a temporary order to Hardin-Houston if the Commission sees fit, but would like an opportunity to study whatever might be proposed in the way of a general order, and for that reason would appreciate a continuance of the hearing.

COMMISSIONER MILES:

Is there anyone else?

BY MR. PAUL C. EVANS, for the Gulf Oil Corporation:

We heartily agree with Mr. Hubbard and the other oil companies in asking for a continuance of this case in so far as it concerns the writing of a general order. We have no objection to Hardin-Houston operating under the same privileges as Mr. Famariss under his order; but we would like to have some time to study, and possibly to present suggestions, in connection with the writing of a complex order of this nature by the Commission.

COMMISSIONER MILES:

Thank you. Is there anyone else?

BY HENRY FORBES, for the Continental Oil Company:

If the Commission please, we, as the rest of the operators here, feel that a temporary order to allow the Hardin-Houston treating plant to operate is all right. We would not like to see a general order written at this time, and would like to have a continuance of the hearing, giving us an opportunity to present any suggestions or objections after a study of the matter.

COMMISSIONER MILES:

When you speak of the Hardin-Houston application --- have you read that order?

MR. FORBES:

No, sir.

COMMISSIONER MILES:

But you would not object to a temporary order?

MR. FORBES:

No, sir.

COMMISSIONER MILES:

But you have not studied the Hardin-



Houston order?

MR. FORBES:

No, sir.

COMMISSIONER MILES:

Thank you.

Mr. Girand, your order is different from the one issued to Mr. Famariss?

MR. GIRAND:

Yes, sir. It is general in its terms and does not cover just one operation, but the entire field. If the Commission please, I do not want to be arbitrary in insisting, but I hate to have this case continued with no objections as a matter of principle. But if it is continued until October 15th we will be glad to appear at that time.

COMMISSIONER MILES:

I have not studied this order. Mr. Spurrier and George have; but your company could not operate under the order issued to Mr. Famariss?

MR. GIRAND:

Yes, under one similar to it. However we do not want to put up a \$25,000 bond. We don't think it takes that much to make a man honest. I think a \$5,000 bond is sufficient.

MR. DUNLEVEY:

If it please the Commission, I would like to suggest that the operators be furnished copies of the order issued to Walter Famariss and the proposed order of Hardin-Houston, so that we may have time to study them. I have not seen either, and doubt whether others have. We believe this to be vital enough to the operators to have this case postponed until the 15th of October, to give us sufficient opportunity to file any objections and prepare testimony.

COMMISSIONER MILES:

You have no objection to the issuance of a temporary order?

MR. DUNLEVEY:

No.

MR. GRAHAM:

Mr. Dunlevey, what about Mr. Ramsey and other tank cleaners who have not made application? Would you object to temporary relief for them?

MR. DUNLEVEY: I personally assume that he has some kind of order, since I am told he has been operating over a period of some months.

MR. GRAHAM:

The point I wanted to clear up is that Hardin-Houston has filed a general order to apply to everybody. Would there be any objection to a temporary order of that kind?

MR. GIRAND:

There would be on the part of Hardin-Houston. That is the very purpose of the general order, so that when an application is made the Commission can go into the question of whether or not he is prepared to meet the requirements.

MR. DUNLEVEY:

We believe it is important enough to necessitate study, as all orders in the past have shown, and that the matter should be given every consideration on the part of the Commission before issuing any order; and we know what has happened in other states in the handling of waste products and we certainly do not want that condition in New Mexico; and we believe it can be avoided if the operators are given sufficient time to come here and put on the necessary testimony.

MR. GIRAND:

I would like to ask how any one can be injured by the issuance of an order at this time, when the Commission can amend its own orders if there are objections and an application for a change is filed?

MR. SPURRIER:

Mr. Girand, I may be wrong, but I think there is a slight misunderstanding here, and if I am wrong, let me know: In the Commission's legal processes, with which Mr. Graham and Mr. Frazier are more familiar than I am, at least ten days' notice is required for a hearing. Now if Mr. Dunlevey's company, or any other company, were to petition the Commission for a hearing on October 15th they would have about a week --- less than a week to prepare that petition to the Commission from this date. However, by reading it into the record we can continue the case to a later date without any further publication. At the moment it seems the Commission is somewhat on the spot; that we must either tell the operators that we will continue or tell you that we will not. Now

it is a convenience to us to have the recorder record the continuance of the case rather than to advertise it. However, if any oil company wishes to be heard on the 15th of October or any other date they may file a petition.

MR. GIRAND:

As I stated, we are not trying to shove anything down the Commission's throat, but I still would like to have the protesters tell what their protests are, and think we are entitled to that.

BY MR. LAKE FRAZIER:

You will be able to operate under a temporary permit?

MR. GIRAND:

Yes, but I do think the Commission should require them to state what protests they make.

COMMISSIONER MILES:

I appreciate your stand. However I am not thoroughly convinced on this matter myself and I do welcome any suggestions and any testimony. But we do not want to inconvenience you so if we can issue a permit to you and then continue this case, it would seem to be the best way to handle it.

BY MR. WALTER FAMARISS, Jr.:

I was the original petitioner in this case before the Commission and was granted an order to operate. Mr. Hardin has come as a second petitioner, and I wish to enter my objections with those of Attorney Girand to the granting of any other permits than to those petitioning the Commission for them. Certainly we feel that if, after we have followed that procedure, anyone may receive a permit without doing so, it seems to me we have defeated the purposes we set out to accomplish. It is therefore my recommendation that no temporary permit be issued to other than Hardin-Houston; and also that this case be continued until the 15th of October hearing; and I wish to place myself available to the Commission, and my order also which you have issued, for amendment, if you find it is not the proper thing.

COMMISSIONER MILES and

MR. SPURRIER:

Thank you.

(A short recess was here called after which the hearing was resumed)

COMMISSIONER MILES:

I have this suggestion to make: That before we issue any order Mr. Glenn Staley have mimeographed copies made of both of

these orders, to Mr. Famariss and the Hardin-Houston proposed order, and send them to all operators, and let them study them both before the cases are reopened on October 15th for discussion.

MR. STALEY:

We will be very glad to do that.

MR. GIRAND:

I will furnish Mr. Staley with a copy of the proposed order and a copy of the application.

COMMISSIONER MILES:

Anybody else who wants to be heard in this matter?

(No response)

COMMISSIONER MILES:

Mr. Famariss, we have just stated that your order and the proposed order in the Hardin-Houston case would be re-opened on October 15th.

MR. FAMARISS:

Yes, sir. If you think it advisable I would like to have it re-opened.

MR. SETH:

May I ask if it is contemplated by the Commission that this temporary order will follow the form of the one attached to the petition? And, if so, if it requires a permit for the removal of any tank bottoms, whether for sale or use on fire walls or lease roads or anything of that nature? If it is contemplated that the order will prevent removal of tank bottoms during this period there will not be any order whereby an operator can clean out without a special permit, for which no machinery has been set up.

MR. GIRAND:

The general order proposed applies to the tank cleaner and not to the operators. The only check on the operator will be the check on the B. S. removed from tanks from each lease so the source of the oil can be traced.

MR. SPURRIER:

Mr. Seth, The Commission has taken Mr. Girand's order as part of the evidence in this case for a guide, you might say; and I am sure that our final order will not contain anything unfair to the operator or the tank cleaner, or anyone else.

MR. GRAHAM:

It will be followed only as a suggestion.

MR. GIRAND:

It was intended as something to go on.

COMMISSIONER MILES:

Is there anything else to discuss in this matter?

MR. SPURRIER:

Gentlemen, I would like the record to show, and I think we have an agreement now between all parties that this case, meaning Case No. 110, and also Case No. 104, for which an order has already been written, but in which the Oil Conservation Commission retained jurisdiction, shall be continued to October 15, 1947, at 10:00 A. M., for the purpose of taking further testimony from anyone who may be interested. Also, in connection with Case No. 110 the Commission will issue a temporary order as requested by the attorney for Hardin-Houston. And I might add that the Commission feels at this time that in view of the Hardin-Houston and Walter Famariss applications, and in view of what is a general opinion, that no order of this nature shall be issued without application by an individual to the Commission for an open hearing.

COMMISSIONER MILES :

Is there anybody else to be heard?  
(No response)

Case No. 101 will be granted.

Case No. 109 will be granted.

Case No. 110 has been continued to October 15th.

Case No. 111 is taken under advisement.

The hearing was adjourned.

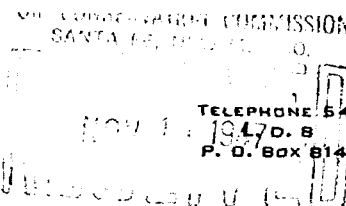
# Register

Name	Residence	Company
J. J. Miller	Catania, N.M.	Grayling Oil Co of N.M.
John E. Tochen, Jr.	Arlonia, N.M.	attorney for Grayling Oil Co.
J. B. Hardin	Hobbs N.M.	
Frank D. Wagner	Midland, Texas	Snyder Prairie Wells.
Harry Withson	" "	Id of Tex.
Foster Norrell	Roswell, N.M.	U.S.G.S.
Wm. H. Craig	Tulsa Okla	Gulf oil Corp
Ray O Yackrough	O.C.C.	Hobbs N.M.
Wm. Brimmer	" "	" "
L.E. Flagle	" "	" "
Walter Fanning	" "	Hobbs
Raymond A. Lynch	Midland Texas	Phillips Pet. Co. (Legal Dept)
W. Kearney	Odessa Texas	Phillips Pet. Co.
John M. Kelly	Roswell N.M.	Independent
William Anderson	Hobbs N.M.	
W. Hubbard	Houston Tex	Kumble
D. S. Denny	Midland Tex	Norvel
Nelson Jones	Houston Tex	Norvel
Guy Shepard	Santa Fe, N.M.	State of N.M.
P. J. Heerd	Seco Field	Grayling oil co.
J. W. Lackey	Roswell N.M.	Males Refining Co.
McKates	Midland Texas	The Texas Co.
E. J. Dorbest	Midland Texas	Kumble Pipe Line Co
Jack W. Skyles	Midland, Tex.	Standard Oil Products Co.
Elmer Haley	Lee County Oklahoma	Hobbs N.M.
W. Raymond Stahl	N.M. Bureau of Mines & Mineral Res.	Arlonia, N.M.
William B. Macey	N.M. Oil Conservation Bureau	Arlonia, N.M.
Chas. Leitch	Houston	Santa Fe
Edwin D. Lutz	" "	Hobbs N.M.
Alfred Dilling	The Texas Co.	-F. Worth, Tex.
John W. Perry	The Texas Co.	Midland Texas.
Charles W. ...	" "	" "
Henry Thomas	Apache Co. Ariz.	Grayling Oil Co.
E. H. GRAY	Republic Oil Co.	" "

C. MELVIN NEAL  
W. D. GIRAND, JR.

NEAL & GIRAND  
LAWYERS  
NEAL BUILDING  
HOBBS, NEW MEXICO

November 7, 1947



New Mexico Oil Conservation Commission,  
Box 871,  
Santa Fe, New Mexico.  
Attention: Mr. George Graham.

In re: Application of Hardin-  
Houston, Case No. 110.

Dear George:

I am sorry that I was misinformed as to the date of the filing of the suggested rules and regulations, and since they had not been filed at the time you received my letter, my request was premature.

However, upon the adoption of the rules by the Commission, I would appreciate very much a formal order in regard to Hardin-Houston.

Very truly yours,

NEAL & GIRAND,

BY: 

G/ls

Form C-103

## OIL CONSERVATION COMMISSION

Santa Fe, New Mexico

## MISCELLANEOUS REPORTS ON WELLS

OCT 21 1947  
HOBBS OFFICE

Submit this report in triplicate to the Oil Conservation Commission or its proper agent within ten days after the work specified is completed. It should be signed and sworn to before a notary public for reports on beginning drilling operations, results of shooting well, results of test of casing shut off, result of plugging of well, and other important operations, even though the work was witnessed by an agent of the Commission. Reports on minor operations need not be signed and sworn to before a notary public. See additional instructions in the Rules and Regulations of the Commission.

Indicate nature of report by checking below.

REPORT ON BEGINNING DRILLING OPERATIONS		REPORT ON REPAIRING WELL	
REPORT ON RESULT OF SHOOTING OR CHEMICAL TREATMENT OF WELL		REPORT ON PULLING OR OTHERWISE ALTERING CASING	
REPORT ON RESULT OF TEST OF CASING SHUT-OFF		REPORT ON DEEPENING WELL	
REPORT ON RESULT OF PLUGGING OF WELL		Recovery of oil by processing BS & W.	

October 20, 1947

Date

Hobbs, New Mexico

Place

OIL CONSERVATION COMMISSION,  
SANTA FE, NEW MEXICO.

Gentlemen:

Following is a report on the work done and the results obtained under the heading noted above ~~xxxx~~ as set out below

**Hardin-Houston**

Company or Operator \_\_\_\_\_ Lease \_\_\_\_\_ Well No. \_\_\_\_\_ in the \_\_\_\_\_  
 \_\_\_\_\_ of Sec. \_\_\_\_\_, T. \_\_\_\_\_, R. \_\_\_\_\_, N. M. P. M.,  
 \_\_\_\_\_ Field, \_\_\_\_\_ County.

The dates of this work were as follows: \_\_\_\_\_

Notice of intention to do the work was (was not) submitted on Form C-102 on \_\_\_\_\_ 19\_\_\_\_

and approval of the proposed plan was (was not) obtained. (Cross out incorrect words.)

## DETAILED ACCOUNT OF WORK DONE AND RESULTS OBTAINED

Operator is engaged to clean tank number 966 of the Texas-New Mexico Pipeline Company located at said company's Lynch Station, Lea County, New Mexico. Hardin-Houston will process said tank bottom with portable steamer and \_\_\_\_\_ tank bottoms from said tank number

Witnessed by **J. B. Hardin** **Hardin-Houston** **Partner**  
 Name Company Title

Subscribed and sworn before me this **20th**

I hereby swear or affirm that the information given above is true and correct.

day of **October**, 19**47**Name **J. B. Hardin**Position **Partner**Representing **Hardin-Houston**

Company or Operator

Address **Box 102, Hobbs, New Mexico**My commission expires: **February 12, 1951.**~~My commission expires~~ **Nov 13 1949**

Remarks:

**APPROVED****OCT 21 1947**

Date \_\_\_\_\_

**Notary Public**

Name

Title



ORIGINAL

OIL CONSERVATION COMMISSION  
STATE OF NEW MEXICO

Form C-110  
OCT 21 1947  
RECEIVED  
HOBBS OFFICE

CERTIFICATE of COMPLIANCE and AUTHORIZATION to TRANSPORT OIL

Company or Operator Hardin -Houston Lease \_\_\_\_\_  
Address Box 102, Hobbs, New Mexico Hobbs, New Mexico  
(Local or Field Office) (Principal Place of Business)  
Unit \_\_\_\_\_ Wells No. \_\_\_\_\_ Sec. \_\_\_\_\_ T \_\_\_\_\_ R \_\_\_\_\_ Field Lynch County Lea  
Kind of Lease \_\_\_\_\_ Location of Tanks Lynch Station  
Transporter Hardin-Houston Address of Transporter Box 102, Hobbs, N.M.  
Hobbs, New Mexico (Local or Field Office)  
Percent of oil to be transported \_\_\_\_\_ Other transporters author-  
(Principal Place of Business) ized to transport oil from this unit are \_\_\_\_\_ %  
REMARKS:

6000 barrels of reclaimed tank bottoms from Texas-New Mexico  
Pipeline Company tank number 966 located Lynch Station, Lea County,  
New Mexico

The undersigned certifies that the rules and regulations of the Oil Conservation Commission have been complied with except as noted above and that gathering agent is authorized to transport the percentage of oil produced from the above described property and that this authorization will be valid until further notice to the transporter named herein or until cancelled by the Oil Conservation Commission of New Mexico.

Executed this the 20th day of October, A.D., 194 7  
HARDIN-HOUSTON

(Company or Operator)  
By J.B. Hardin  
Title PARTNER

State of NEW MEXICO  
County of LEA

ss.

Before me, the undersigned authority, on this day personally appeared J.B. HARDIN 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 authorized to make this report and has knowledge of the facts stated herein and that said report is true and correct.

Subscribed and sworn to before me, this the 20th day of October, 194 7

Notary Public in and for Lea County, Lea  
Approved: [Signature] 194 7 My Commission Expires: February 12, 1951.

OIL CONSERVATION COMMISSION  
By [Signature]  
OIL & GAS INSPECTOR

(See Instruction on Reverse Side)

### INSTRUCTIONS

This form shall be executed and filed in quadruplicate with the Oil Conservation Commission at Santa Fe, New Mexico, covering each unit from which oil is produced. A separate certificate shall be filed for each transporter authorized to transport oil 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 month the operator shall in lieu of filing a new certificate, notify the Oil Conservation Commission at Santa Fe, New Mexico, and the transporter authorized by certificate on file with the Commission, by letter of the estimated amount of oil to be moved by the transporter temporarily moving oil 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 than the estimated amount shown in said notice.

This certificate when properly executed and approved by the Oil Conservation Commission shall constitute a permit for pipe line connection and authorization to transport oil from the property named therein and shall remain in full force and effect until

- (a) Operating ownership changes
- (b) 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, show under "REMARKS" the previous owner or operator and the transporter previously authorized to transport oil.

A separate report shall be filed to cover each producing unit as designated by the Oil Conservation Commission.

NOTICE OF PUBLICATION  
STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

The Oil Conservation Commission of New Mexico, pursuant to law, hereby gives public notice of the following hearings to be had at a special meeting of the Commission to be held September 17, 1947, beginning at 10:00 A.M. on said date at Santa Fe, New Mexico:

STATE OF NEW MEXICO TO:

All named parties in the following cases,  
and notice to the public:

Case 101

In the matter of the application of American Employers Insurance Company for an order directed to Frank Griggs, Lubbock, Texas, John Darden, Lubbock, Texas, and John H. Hawkins, Fort Sumner, New Mexico to show cause why a well located in the NE<sup>1</sup>/<sub>4</sub>NE<sup>1</sup>/<sub>4</sub> of Section 11, Township 4 North, Range 26 East, DeBaca County, New Mexico should not be declared abandoned and ordered plugged.

Case No. 109

In the matter of the application of Leonard Oil Co., Roswell, New Mexico for an order approving an unorthodox location for the Leonard State No. 6 well in the NW<sup>1</sup>/<sub>4</sub>NW<sup>1</sup>/<sub>4</sub> of Section 28, Township 17 South, Range 29 East, Eddy County, New Mexico, the allocation of production to said described tract and unconditional approval of a C-110 for the well.

Case 110

In the matter of the application of Hardin-Houston, a partnership, Hobbs, New Mexico for a general order regulating tank cleaning, plants processing tank bottoms and recleaning of waste oil and transportation of tank bottoms and waste oil.

Given under the seal of the Oil Conservation Commission of New Mexico, at Santa Fe, New Mexico on August 29, 1947.

OIL CONSERVATION COMMISSION

BY:(SGD) R. R. SPURRIER

Case 111

R. R. SPURRIER, Secretary

In the matter of application of G. B. Suppos to unitize the E/2 NE/4 of Section 33, Township 16 South, Range 31 East, N.M.P.M., Eddy County, New Mexico and for approval of two unorthodox locations thereon, (1) 330 ft. from the East line and 1270 ft. from the North line of Section 33, (2) Located 990 ft. from the east line and 1370 ft. from the north line of said section 33, in township 16 South, Range 31 East, N.M.P.M.

LEA COUNTY OPERATORS COMMITTEE  
September 2, 1947

*Report of LEA County Operators Sub-Committee*

REPORT OF LEA COUNTY OPERATORS SUB-COMMITTEE  
APPOINTED 10-6-47 TO MAKE A STUDY OF  
COMMISSION ORDER #726, CASE #104

---

The committee proposes to the operators the following statement to the Conservation Commission at the Hearing to be held in Santa Fe on October 15th, 1947.

The operators feel that certain modifications should be made in the order issued in the CASE #104. It is the feeling that no reasonably preventable waste exists. Present experience by 16 companies, representing 85.3% of total production, indicates that "substantial waste" and "great quantities" of waste does not exist from field gathering tanks and well completions.

It is desired to point out that a large percentage of these tank cleanings and pit oils are used to maintain lease roads, tank battery grades, well yards, etc., which maintenance, if this material were not available, would require greater expense to the operators, due to terrain conditions, and that every reasonable effort is being made by the majority of operators to reduce the frequency of tank cleaning and bottom accumulations, by use of Chemicals, treating systems, circulating pumps, etc.

In the second place, we believe that the Commission should include in any order with reference to the processing of tank bottoms or pits a provision that the net oil contained in the tank or pit as determined by A.P.I. method of testing, shall be

charged against the allowable of the lease served by that tank or pit.

In the third place, we recommend that any such order should apply only to persons engaged in the business of purchasing and treating tank bottoms and pit oil. To accomplish this purpose, we suggest the use of the following language:

IT IS FURTHER ORDERED that the provisions of this order shall not apply to the treating of tank bottoms on a lease where produced and the oil recovered therefrom is not disposed of except through a duly authorized transporter.

IT IS FURTHER ORDERED that the provisions of this order shall not apply to the treating of tank bottoms at a pipe line station, crude oil storage terminal or refinery where the oil contained in the tank bottoms located at such stations, terminals or refineries is reported as a part of the inventory and tenderable balance of the owner or operator of such station, terminal or refinery, and where the treated oil is not disposed of except as a part of the regular deliveries of crude oil from said station, terminal or refinery.

IT IS FURTHER ORDERED that the provisions of this order shall not apply to the transfer of tank bottoms from one tank to another tank located on the same lease, or located at the same pipe line station, tank farm or

terminal in the event there is no change in the custody or control of the tank bottom.

IT IS FURTHER ORDERED that the provisions of this order shall not apply to the <sup>TREATING</sup> ~~testing~~ at a gasoline plant of oil and other catchings collected in traps and drips in the gas gathering lines connected to such plants and in scrubbers at such plants.

IT IS FURTHER ORDERED BY THE COMMISSION that this docket be kept open for such other and further orders as may be necessary and appropriate in the premises.

RULE 1.

No treating plant, as defined in this Order, shall operate except in conformity with the following rules and regulations:

(A) Every person desiring to operate or cause to be operated a treating plant within the State of New Mexico under the terms of this Order shall, before he begins the construction thereof, apply to the Commission in writing for a permit. Such application shall state in detail the location, type and capacity of the plant contemplated and method of processing proposed to be used. The Commission shall set such application for a hearing in not less than twenty (20) days, and if satisfied that the proposed plant and method of processing will actually and efficiently process, treat and reclaim tank bottom emulsion and waste oil, and that there is a need for such a plant at the proposed location thereof, a permit will be granted authorizing the construction of such plant under the Commission's supervision.

No person or persons shall operate, or cause to be operated, a treating plant without having first applied for and obtained an operating permit from the Commission, and such permit will be granted only after the plans of the plant have been approved and applicant has filed and had approved his bond as hereinafter provided and upon a showing satisfactory to the Commission of the necessity thereof.

Such permit, when granted, shall be valid until revoked or abandoned, and shall be revocable at any time after hearing is had on ten (10) day's notice, the Commission finds:

(1) The treating plant under which such permit related is so constructed, equipped or operated as not to reclaim and conserve tank bottom emulsion and waste oil;

(2) The owner or operator of such treating plant in the construction or operations thereof, is violating any law of the State of New Mexico relating to the production, transportation, processing, refining, treating and marketing of crude oil or its products;

(3) The owner or operator of such treating plant is violating any law of the State of New Mexico adopted to conserve the oil and gas resources of the state, or any rule or regulation of this Commission enacted under and in pursuance of said laws;

(B) The total amount of products secured from tank bottom emulsion and waste oil by treating plant processing tank bottom emulsion and waste oil operating in conformity with the provisions of this Order shall be entitled to a C-110.

(C) That before actual operations are begun, the permittee shall file with this Commission a surety company bond payable to the Oil Conservation Commission and/or the State of New Mexico in the amount of \$25,000.00, conditioned upon faithful performance by the permittee of the provisions of this Order or of any further Order in this cause, observance of the applicable laws of the State of New Mexico and the rules and regulations heretofore or hereafter promulgated by the Commission in any wise applicable.

(D) Any treating plant operating under these rules and regulations shall, on or before the 15th day of each calendar month, file at the nearest office of the Commission a monthly report on forms to be supplied by this Commission. Each such monthly report shall contain full and accurate information covering the following details of the business conducted by such reporting permittee during the preceding period. The report shall cover the period from 7:00 A.M.,

the first day of the calendar month reported, and end at 7:00 A.M., the first day of the calendar month in which the report is filed. The data required in each report shall be:

(1) The number of barrels of tank bottom emulsion, waste oil and treated tank bottom emulsion on hand in the possession, custody or control of such plant, at the beginning and close of each reported period, and the location where all of such tank bottom emulsion, waste oil and treated tank bottom emulsion are held, including the location and identification of each tank or place of deposit.

(2) The number of barrels of tank bottom emulsion, waste oil and treated tank bottom emulsion which came into the possession of such plant during such reported period. Each quantity of tank bottom emulsion so reported shall be identified by the tank number of the operator from whom it was obtained and/or the location where obtained.

(3) The number of barrels of tank bottom emulsion and waste oil treated and/or processed during such reported period and the number of barrels of pipeline oil recovered, and the treating or processing loss during such reported period.

(4) The number of barrels of pipeline oil sold and/or delivered and/or transported during the reported period, to whom delivered and/or transported, together with the approved C-110 on which such delivery was made.

(5) After the report form to be furnished by the Commission has been assigned a serial number and approved by an authorized agent of the Oil Conservation Commission, it may be used to support a C-110 for the net oil on hand at the end of the reported period.

(6) From and after the date of the adoption of this Order, it shall be a violation of the rules of this Commission for any person to place in commerce and/or transfer tank bottom emulsion or waste oil, requiring treatment before meeting pipeline requirements, to anyone other than a permittee holding a permit from this Commission as a processor.

#### RULE 2:

The words defined in this order shall have the following meaning:

(A) "Person" shall mean any natural persons, corporations, associations, partnerships, receivers, trustees, guardians, executors, administrators or a fiduciary, or representative of any kind.

(B) "Treating Plant" shall mean any plant or assembly of machinery or equipment, such as boilers, pipes, tanks, pumps, etc., constructed for the purpose of wholly or partially or being used wholly or partially for reclaiming, treating, processing or in any manner cleaning and making tank bottom emulsion and waste oil marketable.

(C) "Tank bottom emulsion" is hereby defined as that substance containing 2% or greater basic sediment and water limited to volume below the tank pipeline outlet, and in the case of lease production tank where the volume exceeds the pipeline outlet the same may be treated and processed upon special order of the commission only.

(D) "Treated Tank Bottom Emulsion" shall mean the recovered product from the treating, reclaiming, processing or cleaning of tank bottom emulsion and waste oil. This term shall be used by treating plants in the application for C-110.



(E) "Waste Oil" shall include pit oil, line break oil, gasoline plant catchings not up to pipeline requirements, which for the purpose of this Order shall carry the same requirements as to reporting as does tank bottom emulsion as set out above.

RULE 3:

*Nothing contained in this order shall apply*  
(1) ~~The foregoing requirement shall have no application as to~~ treating plants operated by the person operating the properties ~~from which the emulsion or waste oils are obtained.~~

IT IS FURTHER ORDERED BY THE COMMISSION:

That this Order shall control all rules and regulations with reference to the same subject matter and in conflict herewith, if any.

IT IS FURTHER ORDERED BY THE COMMISSION:

That this docket be kept open for such other and further orders as may be necessary and appropriate in the premises.

REPORT OF LEA COUNTY OPERATORS SUB-COMMITTEE  
APPOINTED 10-6-47 TO MAKE A STUDY OF  
COMMISSION ORDER #726, CASE #104

---

The committee proposes to the operators the following statement to the Conservation Commission at the Hearing to be held in Santa Fe on October 15th, 1947.

The operators feel that certain modifications should be made in the order issued in the CASE #104. It is the feeling that no reasonably preventable waste exists. Present experience by 16 companies, representing 85.3% of total production, indicates that "substantial waste" and "great quantities" of waste does not exist from field gathering tanks and well completions.

It is desired to point out that a large percentage of these tank cleanings and pit oils are used to maintain lease roads, tank battery grades, well yards, etc., which maintenance, if this material were not available, would require greater expense to the operators, due to terrain conditions, and that every reasonable effort is being made by the majority of operators to reduce the frequency of tank cleaning and bottom accumulations, by use of Chemicals, treating systems, circulating pumps, etc.

In the second place, we believe that the Commission should include in any order with reference to the processing of tank bottoms or pits a provision that the net oil contained in the tank or pit as determined by A.P.I. method of testing, shall be

charged against the allowable of the lease served by that tank or pit.

In the third place, we recommend that any such order should apply only to persons engaged in the business of purchasing and treating tank bottoms and pit oil. To accomplish this purpose, we suggest the use of the following language:

IT IS FURTHER ORDERED that the provisions of this order shall not apply to the treating of tank bottoms on a lease where produced and the oil recovered therefrom is not disposed of except through a duly authorized transporter.

IT IS FURTHER ORDERED that the provisions of this order shall not apply to the treating of tank bottoms at a pipe line station, crude oil storage terminal or refinery where the oil contained in the tank bottoms located at such stations, terminals or refineries is reported as a part of the inventory and tenderable balance of the owner or operator of such station, terminal or refinery, and where the treated oil is not disposed of except as a part of the regular deliveries of crude oil from said station, terminal or refinery.

IT IS FURTHER ORDERED that the provisions of this order shall not apply to the transfer of tank bottoms from one tank to another tank located on the same lease, or located at the same pipe line station, tank farm or

terminal in the event there is no change in the custody or control of the tank bottom.

IT IS FURTHER ORDERED that the provisions of this order shall not apply to the <sup>TREATING</sup> ~~testing~~ at a gasoline plant of oil and other catchings collected in traps and drips in the gas gathering lines connected to such plants and in scrubbers at such plants.

IT IS FURTHER ORDERED BY THE COMMISSION that this docket be kept open for such other and further orders as may be necessary and appropriate in the premises.

**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

A. N. WILLIAMS  
PRESIDENT

1220

**SYMBOLS**  
DL - Day Letter  
NL - Night Letter  
LC - Deferred Cable  
MLT - Cable Night Letter  
Ship Radiogram

The 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

VAR267 P-4444 EFWORTH TEX 14 4444P

#110

J. O. SETH, SETH AND MONTGOMERY

ATTORNEYS AT LAW

CONFIRMING PHONE CONVERSATION WITH FINCH THIS DATE WILL  
HAVE J. D. CULP CONTACT YOU RELATIVE TO CASE 110.00  
APPLICATION FOR GENERAL ORDER REGULATING TANK CLEANING,  
PLANT PROCESSING TANK BOTTOMS AND RECLAIMED OIL AND  
TRANSPORTATION OF SAME, CALLED FOR HEARING OCTOBER 15. WE  
WILL FAVOR ADOPTION OF GENERAL ORDER AND FAVOR FOLLOWING  
PRINCIPLES INCORPORATED IN SUCH ORDER: 1. DEFINE TANK  
BOTTOMS AS TWO PERCENT OR GREATER BASIC SEDIMENT AND WATER  
LIMITED TO THE VOLUME BELOW THE TANK PIPELINE OUTLET. 2.  
APPLICATION BE MADE TO AND APPROVED BY COMMISSION BEFORE  
MOVING OR PROCESSING ANY LEASE STORAGE TANK BOTTOMS.  
APPLICATION SHOULD GIVE ALL INFORMATION AS TO GAUGES, VOLUME,  
AVERAGE BASIC SEDIMENT CONTENT BY SHAKE OUT. 3. THE VOLUME  
OF OIL CONTAINED IN ANY TANK BOTTOM AS SHOWN BY ABOVE TEST  
SHOULD BE CHARGED AGAINST WELL OR WELL'S ALLOWABLE PRODUCING  
INTO THAT TANK=

G. H. CARD STANOLIND OIL AND GAS CO.

110 15 1 2 3.

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

LEA COUNTY OPERATORS COMMITTEE

DRAWER I

HOBBS, NEW MEXICO

November 3, 1947

Oil Conservation Commission  
Santa Fe, New Mexico

Gentlemen:

As suggested in your letter of October 20, to Mr. Glenn Staley, Lea County Operators Committee, a committee representing the producers, pipeline companies, gasoline plant operators, refineries and petitioners, met on October 31. The following were present:

C. L. Withers	New Mexico Asphalt & Ref.	Artesia
W. D. Girand, Jr.	Neal & Girand	Hobbs
F. B. Whitaker, Jr.	Texas New Mexico Pipe Line	Midland
Walter Famarris, Jr.		Hobbs
Raymond F. Miller	Grayburg Oil Co. of N. M.	Artesia
M. C. Brunner (Chr.)	Shell Oil Company	Hobbs
W. L. Phillips	Phillips Petr. Co.	
	(Gasoline Dept.)	Odessa
H. R. Markley	" " "	"
Roy Yarbrough	Oil Conservation Commission	Hobbs
Glenn Staley	Lea County Operators	"

The suggested rules and regulations covering the operating of reclamation plants were discussed and we are attaching for your consideration and approval the rules as unanimously agreed upon by the committee.

The question of charging the salvaged oil to the unit or lease allowable was fully discussed and it was agreed upon that charging it to the allowable was impractical, because of the clerical and royalty accounting work required, for the extremely small amount of oil involved.

In the opinion of the committee the proposed order submitted herewith sets up sufficient rules and regulations adequate to protect the State and the producers from the running of illegal oil.

It is the opinion of the committee in the tender of this proposed general Order that the adoption hereof will assist in the future conservation of petroleum in the State of New Mexico, and will encourage reclamation of this waste product.

Respectfully submitted,

  
M. C. Brunner, Chairman

MCB:gi  
Enc.

C  
O  
P  
Y

P. O. Box 871  
November 5, 1947

Neal & Girand  
P. O. Box 814  
Hobbs, New Mexico

RE: In the Matter of the Application of  
J. B. Hardin and Earl Hardin, dba/  
Hardin-Houston, Case No. 110.

Gentlemen:

This acknowledges receipt of your letter of  
November 3 in the matter of the Hardin-Houston order  
comparable to the Famariss order.

As of this date the committee recently appointed  
by the Commission has not filed its proposed rules in  
the Commission office. Therefore, since it may be  
necessary to make some changes in the Famariss order,  
it is thought best to take no action toward drafting  
the Hardin-Houston order in Case No. 110 until the  
Commission shall have considered and acted upon the  
report of the committee.

Yours very truly,

GC:bpw

GEORGE GRAHAM

C. MELVIN NEAL  
W. D. GIRAND, JR.

TELEPHONE 54  
L. O. 8  
P. O. BOX 814

NEAL & GIRAND  
LAWYERS  
NEAL BUILDING  
HOBBS, NEW MEXICO

November 3, 1947

Oil Conservation Commission,  
Santa Fe, New Mexico.

Attention: Mr. R. R. Spurrier.

Re: In the Matter of the Application of  
J. B. Hardin and Earl Hardin,  
dba/Hardin-Houston, Case No. 110.

Gentlemen:

The above applicants are now operating under letter authority from the Commission dated September 18, 1947, and now desire that the Commission enter an order patterned after the order in Case No. 104, being order No. 726 and known as the Walter Famariss, Jr. Order.

You no doubt recall that prior to the hearing on October 15, 1947, Hardin-Houston amended its application by letter dated October 4, 1947, in which said application, insofar as it differed from the Walter Famariss, Jr. application, was amended so as to seek the same rights granted Walter Famariss, Jr.

At the hearing on October 15th, no objection was raised as to the granting of the permit to Hardin-Houston such as was granted to Walter Famariss, Jr, being Order No. 726. The entire question before the Commission was the adoption of general rules and regulations governing the proposed operation of both Famariss and Hardin-Houston.

The committee appointed by the Oil Conservation Commission has met and agreed upon rules and regulations which, in the minds of the committee, would suitably regulate the proposed industry. The committee has filed its written report recommending the adoption of the rules submitted. Subject to the adoption of these rules, there is nothing further for either applicant to do; however,



Oil Conserv Comm

Nov 3, 1947

Page 2

Hardin-Houston is still without a general order authorizing them to operate.

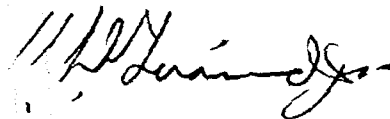
I would appreciate it very much if, at your convenience, you would see that the order was entered and furnish us with a copy thereof.

With kindest personal regards, I am

Yours very truly,

NEAL & GIRAND

BY:



G/js

OIL CONSERVATION COMMISSION  
STATE OF NEW MEXICO

Form C-110

CERTIFICATE of COMPLIANCE and AUTHORIZATION to TRANSPORT OIL

fill here

Company or Operator Hardin-Houston Lease Texas-N.M. Pipeline Co  
Tank farm  
Address Hobbs, New Mexico  
(Local or Field Office) (Principal Place of Business)  
Unit Wells No. Sec. T R Field County  
Kind of Lease Tank Farm Location of Tanks Jal, New Mexico  
Co.  
Transporter Texas-New Mexico Railway Address of Transporter Dallas, Texas  
(Local or Field Office)  
Percent of oil to be transported 100. Other transporters author-  
(Principal Place of Business)  
ized to transport oil from this unit None %  
REMARKS: (See sheet attached)

Basic sediment recovered from cleaning tank bottoms contained in tanks number 1108, 1109 and 1065 of the Texas-New Mexico Pipe Line Company tank farm located near Jal, Lea County, New Mexico, to be transported by the Texas-New Mexico Railway Company to Petrolite Corporation, Ltd., Kilgore, Texas. The volume to be transported estimated at 26,500 barrels. In all probability this volume will vary 2500 to 3000 barrels. This basic sediment has been tested and found satisfactory for the extraction of waxing and the commodity is being sold to the above company for its wax content and other by-products.

That unless certificate of compliance and authorization to transport this commodity is granted, the recoverable by-products of this basic sediment must be wasted, the usual procedure being to place in burn bits and burn or to spread upon lease roads. That in order to further the conservation of crude oil it is necessary that authorization to transfer this basic sediment be granted.

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 authorized to make this report and has knowledge of the facts stated herein and that said report is true and correct.

Subscribed and sworn to before me, this the 19 day of August, A.D., 194 7

Notary Public in and for Lea County, New Mexico

Approved: [Signature] 194 7

2-12-51

OIL CONSERVATION COMMISSION 21 1947

By [Signature]

(See Instruction on Reverse Side)

Name	Company	Location
Quirk Caden	REGISTER Cane Port, Galveston	Artesia, N.M.
Agnesa E. Bush	Lanier	Artesia, N.M.
Robert B. Kessner	Oil Co.	Artesia, N.M.
Roy C. Winkhardt	Oil Co.	Holbrook, N.M.
W. D. Howard Jr.	Lanier	Holbrook, N.M.
J. B. Hardin	Hardin Bros.	Holbrook, N.M.
W. B. Macey	Oil Conservation Commission	Artesia, N.M.
J. N. Quinlan	Quinlan Co.	Holbrook
Walter Tamm	Shell Oil Co.	Holbrook
L. E. Slagle	Shell Oil Co.	Holbrook
H. D. Murray	The Texas Co.	Midland, Texas
Paul Brown	Shell Oil Co.	Holbrook, N.M.
Henry Forbes	Continental Oil Co.	Midland, Texas
N. R. Lamb	N.M. Bureau of Mines	Artesia, N.M.
L. W. House	Humble Oil	Midland
W. V. Hubbard	Oil	Houston
John M. Kelly	Independent	Roswell, N.M.
Emmett D. White	Leonard	Roswell

John M. Kelly  
Emmett D. White

## OIL CONSERVATION COMMISSION

Santa Fe, New Mexico

## MISCELLANEOUS REPORTS ON WELLS

Submit this report in triplicate to the Oil Conservation Commission or its proper agent within ten days after the work specified is completed. It should be signed and sworn to before a notary public for reports on beginning drilling operations, results of shooting well, results of test of casing shut off, result of plugging of well, and other important operations, even though the work was witnessed by an agent of the Commission. Reports on minor operations need not be signed and sworn to before a notary public. See additional instructions in the Rules and Regulations of the Commission.

Indicate nature of report by checking below.

REPORT ON BEGINNING DRILLING OPERATIONS		REPORT ON REPAIRING WELL	
REPORT ON RESULT OF SHOOTING OR CHEMICAL TREATMENT OF WELL		REPORT ON PULLING OR OTHERWISE ALTERING CASING	
REPORT ON RESULT OF TEST OF CASING SHUT-OFF		REPORT ON DEEPENING WELL	
REPORT ON RESULT OF PLUGGING OF WELL		Report of tank cleaning of tanks numbered 1108, 1109 & 1065	

August 19, 1947

Hobbs, New Mexico

Date

Place

OIL CONSERVATION COMMISSION,  
SANTA FE, NEW MEXICO.

Gentlemen:

Following is a report on the work done and the results obtained under the heading noted above at the **Texas-New Mexico Pipeline Co. Tank Farm located near Jal, Lea County, N.M.** Well No. \_\_\_\_\_ in the \_\_\_\_\_

Company or Operator

Lease

\_\_\_\_\_ of Sec. \_\_\_\_\_, T. \_\_\_\_\_, R. \_\_\_\_\_, N. M. P. M.,

Field, \_\_\_\_\_ County.

The dates of this work were as follows:

Work has already commenced and to be completed by November 1, 1947.

Notice of intention to do the work was (was not) submitted on Form C-102 on \_\_\_\_\_ 19\_\_\_\_

and approval of the proposed plan was (was not) obtained. (Cross out incorrect words.)

**DETAILED ACCOUNT OF WORK DONE AND RESULTS OBTAINED**  
Tank bottoms of tanks numbered 1108, 1109 and 1065 of Texas-New Mexico Pipeline Co. tank farm located near Jal, Lea County, N.M. to be removed, basic sediment removed amounting to approximately 26,500 barrells, after removal of water. Total volume in tanks at commencement of work approximately 36,000 barrells. Basic sediment to be transported by tankor to Kilgore, Texas. (See copies of letters attached)

Witnessed by \_\_\_\_\_ Name \_\_\_\_\_ Company \_\_\_\_\_ Title \_\_\_\_\_

Subscribed and sworn before me this 19th

I hereby swear or affirm that the information given above is true and correct.

day of August, A.D., 1947

Name J. B. ThackerPosition PartnerRepresenting Hardin-Houston

Company or Operator

Address Hobbs, New Mexico.

My Commission Expires:

February 12, 1951

My commission expires

Remarks:

C-110 signed AUG 21 1947 by R. R. Spencer

Name

Title

PETROLITE CORPORATION, LTD.  
WAX DIVISION  
BOX 300  
KILGORE, TEXAS

August 14, 1947

Hardin-Houston Company  
Hobbs, New Mexico

Attention: Mr. Hardin

Gentlemen:

This is to confirm our telephone conversation as of last night and pertaining to the shipment of tank bottoms from yourself at Jal, New Mexico to us at Kilgore.

For tank bottoms comparable to your samples Nos. 3 and 4 dated August 9, 1947, we will pay you \$1.75 per barrel loaded into our tank cars at Jal, New Mexico and to be shipped collect to us at Kilgore. This price is based on the material being treated down and not exceeding 5% water determined by water distillation method. If the material contains above 5% water, this percentage is to be deducted from your price of \$1.75 and should the price be reduced by this method to as low as \$1.50 to you, it would certainly be an unprofitable operation to us and probably to you as well, since the freight cost on water would be excessive.

As previously explained, we have never manufactured any wax from this type of raw material, and based on findings through our laboratory it will be satisfactory, but should we eventually run into trouble through the plant we reserve the right to terminate this agreement. A water check will be made on each car and a wax analysis will be run on every third car and will keep you advised.

We trust the above is in accordance with your understanding and look forward to future business relations with your company.

Very truly yours,

PETROLITE CORPORATION, LTD.

BY /S/ J. L. Tune  
J. L. Tune

JLL:RMD

PETROLITE CORPORATION, LTD.  
WAX DIVISION  
BOX 390  
KILGORE, TEXAS

August 15, 1947

Mr. Hardin  
Hardin-Houston Company  
Hobbs, New Mexico

Dear Mr. Hardin:

I have talked with the Railroad Commission here in Kilgore and they require a copy of the New Mexico tender or whatever authority they issue on crude shipments into Texas. If you can furnish us this information we will be ready to go so far the Commission is concerned. Also for our information we will need a collect wire from you giving us the number of each car shipped same day car moves. The following cars were shipped you yesterday:

GATX 9597, GATX 21251, GATX 12961, & GATX 27312

Four more cars will be shipped Monday.

We are enclosing bill of lading to be used when you ship these cars back to us. Mail us one signed copy, retain one for your files, and one for the Railroad. Please fill in date shipment is made also authority for shipment as authorized by New Mexico Conservation Committee.

Very truly yours,

PETROLITE CORPORATION, LTD.

BY J. L. TUNE /S/  
J. L. Tune

JLT:MSD  
Enclosures.

TEXAS-NEW MEXICO PIPE LINE COMPANY  
Jal, New Mexico 2 August 19, 1947

To: Nardin Houston Company  
Hobbs, New Mexico

This is your authority to remove  
from our property near Jal, New Mexico, and  
to make distributions you desire to make to  
make of approximately 20,000 barrels of Basic  
Sediment, removed from Texas-New Mexico Pipe  
Line Company Tanks #1108, and #1109, and  
approximately 6,500 barrels of Basic Sediment  
to be removed from Tank #1063.

Very truly yours,

/s/ F. B. Whitaker, Jr.

Mr. F. B. Whitaker, Jr.

JJM/jwc

PROOF OF PUBLICATION

ROSWELL MORNING DISPATCH

ROSWELL, NEW MEXICO

OUR LEGAL NO. 4928

COPY OF PUBLICATION

STATE OF NEW MEXICO,

County of Chaves:

Paul B. McEwen  
being duly sworn deposes and says:

THAT he is the Publisher of the Roswell Morning Dispatch, a newspaper of general paid circulation, published daily in the English language in Roswell, Chaves County, New Mexico;

THAT said newspaper is duly qualified in the purpose of publishing all legal notices and advertising required by law or by order of any Court of Record in the State of New Mexico to be published in a newspaper of said county.

THAT a legal notice was published in said newspaper in the regular issue thereof and not in any supplement, a true copy of which is attached hereto, the same being:

Oil Conservation Commission

That said notice was published in The Roswell Morning Dispatch as follows: One consecutive (days) (weeks) on the following dates:

September 4, 1947

Paul B. McEwen  
Publisher

STATE OF NEW MEXICO,

County of Chaves:

Subscribed and sworn to before me this 9th day of September 1947

Arden May Rios  
Notary Public  
Chaves County, New Mexico

My Commission Expires 4-2-49

No. 4928  
McEwen  
of the  
newspaper  
following  
specimen  
to be  
giving  
at Santa  
STATE OF NEW MEXICO TO:  
All named parties in the  
ing case, and in the pub-  
lic:  
Case 110-  
In the matter  
tion of Harding  
newspaper  
BY: Arden May Rios, Secretary.



**NOTICE OF PUBLICATION  
STATE OF NEW MEXICO  
OIL CONSERVATION  
COMMISSION**

The Oil Conservation Commission of New Mexico, pursuant to law, hereby gives public notice of the following hearing to be had at a special meeting of the Commission to be held September 17, 1947, beginning at 10:00 A. M. on said date at Santa Fe, New Mexico:

**STATE OF NEW MEXICO TO:**  
All named parties in the following case, and notice to the public:

**Case 110**  
In the matter of the application of Hardin-Houston, a partnership, Hobbs, New Mexico, for a general order regulating tank cleaning, plants processing waste bottoms and recleaning of waste oil and transportation of tank bottoms and waste oil.

Given under the seal of the Oil Conservation Commission of New Mexico, at Santa Fe, New Mexico, on August 29, 1947.

**OIL CONSERVATION  
COMMISSION**  
By: R. R. Spurrier,  
Secretary.

(SEAL)

Published in Farmington Times Hustler, Farmington, New Mexico,  
Friday, Sept. 5, 1947.

**PROOF OF PUBLICATION**

State of New Mexico,  
County of San Juan—ss.

G. L. Butler

being first duly sworn upon his oath deposes and says:— That during the time of the publication of the notice hereinafter mentioned, he was the

Manager

of the FARMINGTON TIMES HUSTLER, a weekly newspaper published at Farmington in said County of San Juan and State of New Mexico; that the notice of

Hearing Case #110

of which a printed copy taken from said newspaper is hereto annexed, was published in the regular issues of said newspaper once in each week for

one week; that the date of the first publication thereof was the 5th

day of September 1947, and the date of the last publication thereof was the 5th day of

September, 1947; that said newspaper is published and of general circulation in said county, and is a legal newspaper qualified to publish any notice required by law to be published.

Receipt is hereby acknowledged by the publishers of payment in full for publication of the above mentioned legal notice.

Subscribed and sworn to before me

this 6 day of

Oct, 1947  
Wm. J. Martin

Notary Public.

My commission expires Feb 2 1950

# AFFIDAVIT OF PUBLICATION

State of New Mexico,  
County of Lea

I, Robert L. Summers  
Publisher

Of the Hobbs Daily News-Sun, a  
daily newspaper published at Hobbs,  
New Mexico, do solemnly swear that  
the clipping attached hereto was  
published once a week in the regular  
and entire issue of said paper, and  
not in a supplement thereof for a

period of \_\_\_\_\_

1 issue *week*

beginning with the issue dated \_\_\_\_\_

Sept. 3, 19 47

and ending with the issue dated \_\_\_\_\_

Sept. 3, 19 47

Publisher.

Sworn and subscribed to before me

this 3rd day of \_\_\_\_\_

Sept. 19 47.

*Neue Jones*  
Notary Public.

My commission expires \_\_\_\_\_

Jan. 7, 19 51  
(Seal)

This newspaper is duly qualified  
to publish legal notices or ad-  
vertisements within the mean-  
ing of Section 3, Chapter 167,  
Laws of 1937, and payment of  
fees for said publication has  
been made.

## LEGAL NOTICE

NOTICE  
STATE OF NEW MEXICO

The Oil Conservation Com-  
mission of New Mexico, pursuant  
to the laws of New Mexico, hereby  
gives notice of the following  
order of the Commission, to be  
had at a public hearing of the Com-  
mission, to be held September 17,  
1947, beginning at 10:00 a. m.  
on said date at Santa Fe, New  
Mexico:

STATE OF NEW MEXICO TO:

All named parties in the  
following case, and notice to  
the public:

CASE 110

In the matter of the applica-  
tion of Hardin-Houston, a part-  
nership, Hobbs, New Mexico, for  
a general order regulating tank  
cleaning, plants processing tank  
bottoms and recleaning of waste  
oil and transportation of tank  
bottoms and waste oil.

Given under the seal of the Oil  
Conservation Commission of New  
Mexico, at Santa Fe, New Mex-  
ico, on August 29, 1947.

OIL CONSERVATION  
COMMISSION.  
By: R. R. SPURRIER,  
Secretary.

STATE OF NEW MEXICO  
OFFICE OF STATE GEOLOGIST  
SANTA FE, NEW MEXICO

29 August 1947

To Hobbs Daily News-Sun  
Hobbs, New Mexico

RE: Case 110, Notice of Publication.

Gentlemen:

Please publish the enclosed notice once, immediately. Please proof-read the notice carefully and send a copy of the paper carrying such notice.

UPON COMPLETION OF THE PUBLICATION, PLEASE SEND PUBLISHER'S AFFIDAVIT IN DUPLICATE.

For payment please submit statement in duplicate, accompanied by voucher executed in duplicate. The necessary blanks are enclosed.

Very truly yours,

GEORGE A. GRAHAM  
Attorney,  
Oil Conservation Commission

CAG:bsp

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STATE OF NEW MEXICO  
OFFICE OF STATE GEOLOGIST  
SANTA FE, NEW MEXICO

29 August 1947

Mr. W. D. Girand, Jr.  
Attorney At Law  
Hobbs, New Mexico

RE: Case 110 - Petition of J. B.  
Hardin and Earl Hardin.

Dear Mr. Girand:

This is to advise you that the hearing for the above captioned case has been set by the Commission for September 17, 1947, beginning at 10:00 o'clock A.M., at the La Fonda Hotel, Santa Fe, New Mexico.

Very truly yours

GEORGE A. GRAHAM  
Attorney  
Oil Conservation Commission

CAG:bsp

P.S. Notice of publication has been sent to  
Eddy, Chaves & San Juan Co. newspapers.

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STATE OF NEW MEXICO  
OFFICE OF STATE GEOLOGIST  
SANTA FE, NEW MEXICO

29 August 1947

The Roswell Dispatch  
Roswell, New Mexico

RE: Case 110 - Notice of Publication.

Gentlemen:

Please publish the enclosed notice once, immediately. Please proof-read the notice carefully and send a copy of the paper carrying such notice.

UPON COMPLETION OF THE PUBLICATION, PLEASE SEND PUBLISHER'S AFFIDAVIT IN DUPLICATE.

For payment please submit statement in duplicate, accompanied by voucher executed in duplicate. The necessary blanks are enclosed.

Very truly yours,

GEORGE A. GRAHAM  
Attorney,  
Oil Conservation Commission

GAG:bsp

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Y

STATE OF NEW MEXICO  
OFFICE OF STATE GEOLOGIST  
SANTA FE, NEW MEXICO

29 August 1947

The Farmington Times  
Farmington, New Mexico

RE: Case 110 - Notice of Publication.

Gentlemen:

Please publish the enclosed notice once, immediately. Please proof-read the notice carefully and send a copy of the paper carrying such notice.

UPON COMPLETION OF THE PUBLICATION, PLEASE SEND PUBLISHER'S AFFIDAVIT IN DUPLICATE.

For payment please submit statement in duplicate, accompanied by voucher executed in duplicate. The necessary blanks are enclosed.

Very truly yours,

GEORGE A. GRAHAM  
Attorney,  
Oil Conservation Commission

GAG:bsp

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STATE OF NEW MEXICO  
OFFICE OF STATE GEOLOGIST  
SANTA FE, NEW MEXICO

29 August 1947

Mr. Glenn Staley  
Proration Office  
Hobbs, New Mexico

RE: Cases Nos. 101, 109 & 110.

Dear Glenn:

Inclosed please find "Notice of Publication" relating to  
the cases before the Commission set for September 17, 1947.

Very truly yours,

GEORGE A. GRAHAM  
Attorney  
Oil Conservation Commission

CAG:bsp

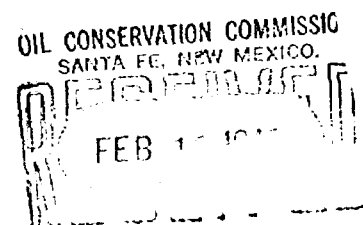
C  
O  
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Y

C. MELVIN NEAL  
W. D. GIRAND, JR.

TELEPH  
P. O. B.

NEAL & GIRAND  
LAWYERS  
NEAL BUILDING  
HOBBS, NEW MEXICO

February 16, 1948



Oil Conservation Commission,  
Santa Fe, New Mexico.

Attention: Mr. R. R. Spurrier.

Dear Sir:

We are enclosing bond of J. B. Hardin  
and Earl Hardin, dba/Hardin-Houston, as required  
by your Order No. 726 in Case No. 110.  
Please acknowledge receipt of this bond.

Yours very truly,

NEAL & GIRAND

BY: *W. D. Girand*

G/js  
Encl

*Graham:*

*Please check this -*

*Betty: Please send usual notices*



B O N D

KNOW ALL MEN BY THESE PRESENTS:

That J. B. HARDIN and EARL HARDIN, dba/HARDIN-HOUSTON, with principal office at Hobbs, Lea County, New Mexico, as PRINCIPAL, and NEW AMSTERDAM CASUALTY COMPANY

a corporation organized under and existing by virtue of the laws of the State of New York, and authorized to do business in the State of New Mexico with a deposit of not less than \$25,000.00 in approved securities with the State Treasurer of New Mexico in pursuance to Chapter 114, Laws of New Mexico, 1935, with duly appointed resident agent licensed in the State of New Mexico for the execution of this bond on behalf of the Surety Company hereto in pursuance to Section 71-168, New Mexico Statutes, Annotated, 1929, as SURETY, are held and firmly bound unto the State of New Mexico and/or Oil Conservation Commission of New Mexico (hereinafter called the Obligee) in the penal sum of TWENTY-FIVE THOUSAND AND NO/100 (\$25,000.00) DOLLARS, (which sum is hereby agreed to be the maximum liability hereunder), lawful money of the United States, for the payment of which well and truly to be made, said principal and surety hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

SEALED with our seals and dated this the 26th day of January, 1948.

THE CONDITIONS OF THIS OBLIGATION ARE SUCH THAT:

WHEREAS, Pursuant to Case No. 110, Order No. 726, of the OIL CONSERVATION COMMISSION of New Mexico, the principal has been granted permission to purchase and process tank bottoms, waste oil, pit oil, gasoline tank catchings, and other petroleum products classified as waste, and to sell the merchantable crude oil derived therefrom.

NOW, THEREFORE, if the said principal shall faithfully comply with the provisions of ORDER NO. 726, or any further Order in the cause pursuant thereto, and observance of the applicable Laws of the State of New Mexico, and the rules and regulations heretofore or hereafter promulgated by the Oil Conservation Commission of New Mexico, and anywise applicable, then this instrument shall be null and void; otherwise, it shall remain in full force and effect.

PROVIDED, HOWEVER, that the obligation of the Surety hereunder shall terminate after the expiration of THIRTY (30) DAYS from receipt of the OIL CONSERVATION COMMISSION of written notice from the Surety of cancellation hereof, but only as respects liability arising after the expiration of THIRTY (30) DAYS from such receipt of said written notice of such cancellation.

*J. B. Hardin*

*Earl Hardin*

Principal

NEW AMSTERDAM CASUALTY COMPANY

*Willis A. Freeburg*

Attorney-in-Fact

Willis A. Freeburg

COUNTERSIGNED:

*Paul H. Davis*  
Resident Agent

HeBBs, New Mexico

## POWER OF ATTORNEY

**New Amsterdam Casualty Company**227 ST. PAUL STREET  
BALTIMORE, 3, MD.EXECUTIVE  
OFFICES60 JOHN STREET  
NEW YORK, 7, N. Y.**Know All Men by These Presents:**

That the NEW AMSTERDAM CASUALTY COMPANY, a corporation of the State of New York, by  
C. S. Weech, its Vice-President, and W. L. Langford,  
 its Assistant Secretary, in pursuance of authority granted by a resolution duly passed by the Board of Directors of said  
 Company at a meeting of that body, at which a quorum was present, held on the 11th day of October, 1916, at its  
 office in the City of New York, State of New York, which resolution reads as follows:

"WHEREAS, it frequently becomes necessary for a representative of the Company to execute a bond on behalf of the Company,  
 which, for lack of time or some other cause, it is impossible to have executed by the regularly elected officers of the Company;

THEREFORE BE IT RESOLVED, that the President, or any Vice-President, by and with the concurrence of the Secretary or  
 Assistant Secretary, is hereby authorized to empower any representative of the Company to execute, on behalf of the Company, any bond  
 which the Company might execute through its duly elected officers."

does hereby nominate, constitute and appoint Willis A. Freeburg of Denver, Colorado

its true and lawful agent and attorney -in-fact, to make, execute, seal and deliver for and on its behalf, as  
 surety, and as its act and deed

any and all bonds or undertakings of suretyship, in

penalties not exceeding the sum of One Hundred Thousand Dollars

(\$ 100,000.00 ) each; PROVIDED, HOWEVER, that such bonds or undertakings

shall have been executed prior to June 30th, 1948 - - - - -

And when such bonds or undertakings shall have been duly executed pursuant hereto and the corporate seal affixed,  
 they shall be as binding upon said Company, as fully and amply, to all intents and purposes, as if they had been duly  
 executed and acknowledged by the duly elected officers of the Company in their own proper persons. The said Com-  
 pany hereby reserves unto itself, however, the absolute right to revoke this Power of Attorney at any time it may  
 desire so to do.

The said Assistant Secretary does hereby certify that the foregoing copy of resolution is a true copy of the resolution passed by the Board  
 of Directors of said Company at its meeting held on the 11th day of October, 1916, as aforesaid, and that said resolution is still in force.

IN WITNESS WHEREOF, the said Vice-President and the said Assistant Secretary have hereunto subscribed  
 their names and affixed the corporate seal of the said NEW AMSTERDAM CASUALTY COMPANY, this

15th day of June, A. D. 19 47.

Attest:

NEW AMSTERDAM CASUALTY COMPANY

W. L. Langford

Assistant Secretary.

(Seal)  
(Signed)

By

C. S. Weech

Vice-President.

STATE OF MARYLAND }  
 CITY OF BALTIMORE } SS.

On this 15th day of June, A. D. 19 47, before the subscriber, a Notary  
 Public of the State of Maryland, in and for the City of Baltimore, duly commissioned and qualified, came the above named Vice-President and  
 Assistant Secretary of the NEW AMSTERDAM CASUALTY COMPANY, to me personally known to be the individuals and officers described  
 in, and who executed the preceding instrument, and they each acknowledged the execution of the same, and being by me duly sworn, severally  
 and each for himself depose and saith, that they are the said officers of the Company aforesaid, that they know the seal of said corporation,  
 that the seal affixed to the preceding instrument is such corporate seal and their signatures as such officers were duly affixed and subscribed to  
 said instrument by the authority and direction of the said Company, that each is familiar with the handwriting of the other, and that the sig-  
 natures subscribed to the foregoing instrument are genuine.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my Notarial Seal, at the City of Baltimore, the day and year  
 first above written.

(Seal)  
(Signed)Leslie Rawls

Notary Public.

My commission expires May 2, 1949**CERTIFICATE**

I, L. J. Biemiller, Assistant Secretary of the NEW AMSTERDAM CASUALTY COMPANY,  
 do hereby certify that the foregoing Power-of-Attorney is a true and correct copy of Power-of-Attorney issued to the  
 above named agent and attorney -in-fact and that said Power-of-Attorney is still in force.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed the corporate seal of the said  
 Company this 15th day of January, A. D. 19 48.

L. J. Biemiller  
 Assistant Secretary.

NOTICE OF PUBLICATION  
STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION  
The State of New Mexico by its Oil Conservation Commission hereby gives notice, pursuant to law, of the following public hearing to be held July 29, 1948, beginning at 10:00 o'clock a.m. on said day in the City of Santa Fe, New Mexico.  
STATE OF NEW MEXICO TO:  
All named parties in the following case, and notice to the public:  
CASE NO. 10 (CONTINUED): CASE NO. 194 in which Commission retained jurisdiction and upon further motion of the Oil Conservation Commission; Hardin-Houston, Hobbs, New Mexico; Walker-Pamarris, Hobbs, New Mexico; Lea County Operators Committee;  
In the matter of an order or orders of general application regulating tank cleaning, plants processing tank bottoms, and the reclaiming of waste oil.  
Given under the seal of the Oil Conservation Commission of New Mexico at Santa Fe, New Mexico, on July 18, 1948.  
STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION  
By R. R. SPURKMEYER  
Secretary.  
(SEAL)  
Pub. July 19, 1948.

## Affidavit of Publication

State of New Mexico }  
County of Santa Fe } ss.

I, Will Harrison, being first duly sworn, declare and say that I am the ~~(Business Manager)~~ (Editor) of the Santa Fe New Mexican, a daily newspaper, published in the English Language, and having a general circulation in the City and County of Santa Fe, State of New Mexico, and being a newspaper duly qualified to publish legal notices and advertisements under the provisions of Chapter 167 of the Session Laws of 1937; that the publication, a copy which is hereto attached, was published in said paper once ~~each week~~ for 1 time ~~consecutive weeks, and on the same day of each week~~ in the regular issue of the paper during the time of publication, and that the notice was published in the newspaper proper, and not in any supplement, once ~~each week~~ for 1 time ~~weeks consecutively~~, the first publication being on the 19th day of July, 1948, and the last publication on the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_; that payment for said advertisement has been (duly made), or (assessed as court costs); that the undersigned has personal knowledge of the matters and things set forth in this affidavit.

Will Harrison

Manager

Subscribed and sworn to before me this 19th day of July, A.D., 1948

Anna K. Ormsby

Notary Public

My Commission expires

June 14, 1949

### PUBLISHER'S BILL

32 lines, one time at \$ 3.20  
\_\_\_\_\_ lines, \_\_\_\_\_ times, \$ \_\_\_\_\_  
Tax \$ 3.20  
Total . . . . . \$ \_\_\_\_\_

Received payment,

By \_\_\_\_\_

O. MELVIN NEAL  
W. D. GIRAND, JR.

TELEPHONE 54  
L. D. 8  
P. O. BOX 814

NEAL & GIRAND  
LAWYERS  
NEAL BUILDING  
HOBBS, NEW MEXICO

July 3, 1947

Oil Conservation Commission,  
State Capitol,  
Santa Fe, New Mexico.  
Attention: R. R. Spurrier.

Dear Mr. Spurrier:

The Hardin-Houston Tank Cleaning concern has an additional 500 barrels of BS & W and waste oil which it desires to move to its treating plant located at Denver City. The exact point of origin of the waste oil and BS & W to be moved is unknown other than to state from the Hobbs and Eunice oilfield.

We are here enclosing Form C-103 and Form C-110 in triplicate and respectfully request approval to transport the fluid to Denver City, Texas.

Very truly yours,

NEAL & GIRAND,

BY: 

G/l  
encls.

cc: Hardin-Houston, Box 102, Hobbs, New Mexico.

## OIL CONSERVATION COMMISSION

Santa Fe, New Mexico

## MISCELLANEOUS REPORTS ON WELLS

Submit this report in triplicate to the Oil Conservation Commission or its proper agent within ten days after the work specified is completed. It should be signed and sworn to before a notary public for reports on beginning drilling operations, results of shooting well, results of test of casing or shut-off, result of plugging of well, and other important operations, even though the work was witnessed by an agent of the Commission. Reports on minor operations need not be signed and sworn to before a notary public. See additional instructions in the Rules and Regulations of the Commission.

Indicate nature of report by checking below.

REPORT ON BEGINNING DRILLING OPERATIONS		REPORT ON REPAIRING WELL	
REPORT ON RESULT OF SHOOTING OR CHEMICAL TREATMENT OF WELL		REPORT ON PULLING OR OTHERWISE ALTERING CASING	
REPORT ON RESULT OF TEST OF CASING SHUT-OFF		REPORT ON DEEPENING WELL	
REPORT ON RESULT OF PLUGGING OF WELL		Report of recovery of oil by processing BS&W.	

July 3, 1947

Date

Hobbs &amp; Eunice, New Mexico

Place

OIL CONSERVATION COMMISSION,  
SANTA FE, NEW MEXICO.

Gentlemen:

Following is a report on the work done and the results obtained under the heading noted above at the \_\_\_\_\_

Hardin-Houston Tank Storage

Well No. \_\_\_\_\_ in the

Company or Operator

Lease

of Sec. \_\_\_\_\_

T. \_\_\_\_\_

R. \_\_\_\_\_

N. M. P. M.,

Hobbs & EuniceField, SLea

County.

The dates of this work were as follows: See detailed account

Notice of intention to do the work was (was not) submitted on Form C-102 on \_\_\_\_\_ 19\_\_\_\_

and approval of the proposed plan was (was not) obtained. (Cross out incorrect words.)

## DETAILED ACCOUNT OF WORK DONE AND RESULTS OBTAINED

(See attached sheet)

Operator is engaged in well servicing contracting and is required in many instances upon the cleaning of tank bottoms to remove the BS&W from the lease premises of the producing operator. This BS&W, when treated, will produce approximately 30% to 40% pipeline oil. In every case, however, processing or treatment of the BS&W is required.

The oil so recovered from the treating and processing would be burned and therefore entirely lost, which would create an unnecessary waste of natural resources of this state. All royalties chargeable to the producer of the particular leases have been paid for the reason that royalties are due only on the oil produced and sold. This residue contained in tank bottoms is such as will not be accepted by common purchasers.

An increased allowable for the State of New Mexico will not be necessary because the amount of oil specified herein does not exceed the difference between the authorized allowable and the amounts run from the well in this field for a like period.

This operator has accumulated 500 barrels over a period of two weeks from tank bottoms located in the Hobbs Pool and Eunice Pool, which have been deposited in storage tanks of this operator and therein treated. The amount of recoverable oil from any one particular lease cannot be ascertained. The percentage of oil recoverable varies in each tank.

OIL CONSERVATION COMMISSION  
STATE OF NEW MEXICO

## CERTIFICATE of COMPLIANCE and AUTHORIZATION to TRANSPORT OIL

Company or Operator Hardin-Houston ~~Denver~~

Address Box 102, Hobbs, New Mexico Hobbs, New Mexico  
(Local or Field Office) (Principal Place of Business)

Unit \_\_\_\_\_ Wells No. \_\_\_\_\_ Sec. \_\_\_\_\_ T \_\_\_\_\_ R \_\_\_\_\_ Field \_\_\_\_\_ County \_\_\_\_\_

Kind of Lease \_\_\_\_\_ Location of Tanks \_\_\_\_\_

Transporter Hardin-Houston Address of Transporter Hobbs, New Mexico and Denver City, Texas  
(Local or Field Office)

Percent of oil to be transported 100 Other transporters authorized to transport oil from this unit are none %

REMARKS: 500 barrels of tank bottoms BS&W and waste oil located in Hobbs field and Eunice Field to be transported to Hardin-Houston Treating Plant, Denver City, Texas.

The undersigned certifies that the rules and regulations of the Oil Conservation Commission have been complied with except as noted above and that gathering agent is authorized to transport the percentage of oil produced from the above described property and that this authorization will be valid until further notice to the transporter named herein or until cancelled by the Oil Conservation Commission of New Mexico.

Executed this the 3rd day of July, A. D., 1947

HARDIN-HOUSTON

(Company or Operator)

By J. B. Hardin

Title \_\_\_\_\_

State of New Mexico

County of Lea

ss.

Before me, the undersigned authority, on this day personally appeared J. B. Hardin 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 authorized to make this report and has knowledge of the facts stated herein and that said report is true and correct.

Subscribed and sworn to before me, this the 3rd day of July, 1947

My Commission expires: 2-12-51

Notary Public in and for Lea County, New Mexico

Approved: \_\_\_\_\_ 1947

OIL CONSERVATION COMMISSION

By \_\_\_\_\_

(See Instruction on Reverse Side)

C. MELVIN NEAL  
W. D. GIRAND, JR.

NEAL & GIRAND  
LAWYERS  
NEAL BUILDING  
HOBBBS, NEW MEXICO

July 26, 1948

TELEPHONES: 54 & 854  
P. O. BOX 1326



New Mexico Oil Conservation Commission,  
Post Office Box 871,  
Santa Fe, New Mexico.

Attention: George A. Graham, Attorney.

In re: Continuance of Case No. 110.

Gentlemen:

Your letter of July 16th advising that the above case will be heard at 10:00 July 29, 1948 at Santa Fe comes as a surprise.

The Commission entered its order in Case No. 110 on September 17, 1947 and granted to Hardin-Houston the same rights and Privileges that were granted to Walter Famariss, Jr. in Case No. 110. It was my understanding that Case No. 138, being the Petrolite application, was the case that was continued until the 29th. It is my further understanding that a Proposed general order regulating the Processing of tank bottoms, tank cleaners and tank bottom Processors will be submitted to the Commission. It may be that the writer will not be able to attend the meeting. The Proposed order submitted by the Lea County Operators' Committee is satisfactory to my client, Hardin-Houston, and we raise no objection to the order as submitted.

If case number 110 is being reopened for any cause, I would certainly appreciate being advised in what Particulars the order is being reopened.

With best Personal regards, I remain

Very truly yours,

NEAL & GIRAND,

BY:

W. D. Girand, Jr.

G/ls

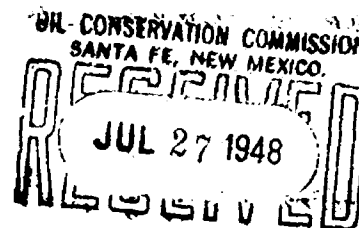


C. MELVIN NEAL  
W. D. GIRAND, JR.

TELEPHONES: 54 & 854  
P. O. BOX 1326

NEAL & GIRAND  
LAWYERS  
NEAL BUILDING  
HOTELS, NEW MEXICO

July 26, 1948



New Mexico Oil Conservation Commission,  
Post Office Box 871,  
Santa Fe, New Mexico.

In re: Continuance of Case No. 110.

*file*

Gentlemen:

Some time ago on behalf of Hardin-Houston and Walter Famariss, Jr., the writer entered a Protest against the granting of the application of Petrolite Company, being Case No. 138.

Since the case has been Passed, we advise that on behalf of our client, Hardin-Houston, we have no Protest to make. We no longer represent Walter Famariss, Jr.

Very truly yours,

NEAL & GIRAND,

BY:

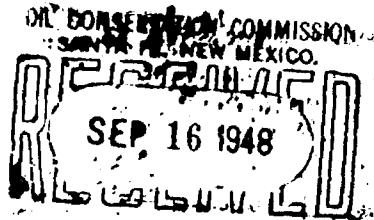
*W. D. Girand*

G/lis

D. MELVIN NEAL  
W. D. GIRAND, JR.

NEAL & GIRAND  
LAWYERS  
NEAL BUILDING  
HOBBS, NEW MEXICO  
September 14, 1948

TELEPHONES: 54 & 854  
P. O. BOX 1326



*Graham*  
Oil Conservation Commission,  
Santa Fe, New Mexico.  
Attention: Mr. R. R. Spurrier.

Gentlemen:

On October 15, 1947 the Commission entered its order granting the application of J. B. Hardin and Earl Hardin, doing business as Hardin-Houston for a permit to operate as a tank cleaner and processor of tank bottoms, being case number 110. Since said time numerous proposals for rules and regulations governing tank cleaning in New Mexico have been submitted to the Commission, and one in particular by the Lea County Operators; that in all of the proposed orders for regulating tank cleaning and tank bottom processing there has been a provision that the permits be granted for a period of one year and thereafter to be renewed by the commission. However, at the present time there is no provision for the renewal of such applications.

We would appreciate being advised as to what procedural steps the Commission will require in order to keep the permit of Hardin-Houston in force. At least, we do not want to be guilty of laches in failing to file necessary application for renewal.

Trusting that I shall hear from you in the near future,

I am

Very truly yours,  
NEAL & GIRAND,

BY: *W. D. Girand*

G/ls

Case 110

## THE RAILROAD COMMISSION OF TEXAS

OIL AND GAS DOCKET  
NO. 126 #8-11,513

IN RE: CONSERVATION & PREVENTION  
OF WASTE OF CRUDE PETROLEUM AND  
NATURAL GAS IN RAILROAD COMMISSION  
DISTRICT NO. 8, TEXAS.

Hearing held in Midland, Texas,

December 10, 1947.

## TRANSCRIPT OF TESTIMONY

Peggy Nicholson,  
Official Reporter.

RAILROAD COMMISSION OF TEXAS  
OIL AND GAS DIVISION

OIL AND GAS DOCKET  
NO. 126 #8-11,513

IN RE: CONSERVATION AND PREVENTION  
OF WASTE OF CRUDE PETROLEUM  
AND NATURAL GAS IN RAILROAD  
COMMISSION DISTRICT NO. 8,  
T E X A S.

HEARING HELD IN MIDLAND, TEXAS, DECEMBER 10, 1947

B E F O R E

HONORABLE W. J. MURRAY, JR., COMMISSIONER  
MR. JACK E. BAUMEL, CHIEF ENGINEER  
MR. CLARK LLOYD, DIRECTOR OF PRODUCTION  
MR. JOE GREER, DEPUTY SUPERVISOR, MIDLAND,  
TEXAS.

A P P E A R A N C E S

NAME

ADDRESS

REPRESENTING

Neal & Girard  
Spurrer, R. R.  
Yarbrough, Rog. O.  
  
Crothers, W. L.  
Murray, H. D.  
Puett, Nelson  
Denton, R. L.  
Corbett, E. T.  
Abel, M. D.

Hobbs, New Mexico  
Santa Fe, New Mex.  
Hobbs, New Mex.  
  
Midland, Texas  
Midland, Texas  
  
Midland, Texas  
Midland, Texas  
Midland, Texas

Hardin-Houston Company  
Oil Conservation Comm.  
State of N. M. Oil Con-  
servation Commission  
Humble Oil & Refg. Co.  
The Texas Company  
Federal Petroleum Board  
Magnolia Pipe Line Co.  
Humble Pipe Line Co.  
Plymouth Oil Company

APPEARANCES  
(Continued)

NAME	ADDRESS	REPRESENTING
Wistrand, Betty	Santa Fe, New Mex.	N. M. Oil Conserva- tion Commission
Canfield, R. E.	Roswell, N. Mex.	U. S. Geological Survey
Gardner, Frank D.	Midland, Texas	Sinclair-Prairie Oil Co. -
Morrell, Foster	Roswell, New Mex.	U. S. Geological Survey
Graham, George A.	Santa Fe, New Mex.	Oil Conservation Comm. of New Mexico
Callaway, J. T.	Odessa, Texas	The Atlantic Refg. Co.

\*\*\*\*\*  
TRANSCRIPT OF PROCEEDINGS  
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MR. BAUMEL: Call for hearing Oil and Gas Docket No. 126 #8-11,513, in re: conservation and prevention of waste of crude petroleum and natural gas in Railroad Commission District No. 8, Texas. The hearing notice reads as follows:

"Notice is hereby given to the public and all interested parties that the Railroad Commission of Texas will, at ten, a. m., December 10, 1947, hold a Hearing in the Commission's office in the Petroleum Building, in Midland, Texas, for the purpose of permitting the Hardin-Houston Company and/or any other interested party to place before the Commission such evidence as may be desired to be presented in connection with and bearing upon whether or not the Commission's permit heretofore granted said company

to operate a plant, located at Denver City, in Yoakum County, Texas, for the purpose of treating and/or reclaiming tank bottoms should be revoked.

"This hearing is called pursuant to the provisions of Section IV of Commission Order No. 20-11,302, dated Sept. 29, 1947, titled 'Special Order Regulating Tank Cleaning, Plants Processing Tank Bottoms, and Reclaiming of Waste Oil'; and by reason of the fact that sampling, by Commission representatives, of the unprocessed stock, classified by Hardin-Houston Company as BS&W and reported on Commission Form RP as stock on hand at the close of September, 1947, operations, disclosed that the actual BS&W content thereof approximated only twenty-two per cent (22%) of such total volume reported as BS&W stock."

MR. GIRARD: I would like to have two or three minutes to talk to Mr. Spurrier and Mr. Yarbrough.

MR. BAUMEL: All right, we will recess for five minutes.

(WHEREUPON, THE HEARING WAS  
RECESSED FOR FIVE MINUTES.)

MR. GIRARD: If the Commission please, I would like to make an introductory statement for the record, realizing of course that it is hearsay in nature, but it will throw considerable light on the matter here.

The notice is the record against Hardin-Houston Company to show cause why their present temporary permit should not

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be revoked, based on violation of Rule IV of your Order No. 20-11,302.

Rule IV, as I just recently scanned over it, provides for the filing of certain forms and designations of locations of source of the tank bottoms which are being processed and which are in storage, the number of barrels that have been disposed of during the calendar month, the number of tank bottoms and the character of tank bottoms. The facts, as I understand them, are simply this: The Hardin-Houston Company obtained tenders from the State of New Mexico to move certain tank bottoms, designated in the tender as B&W from the Texas-New Mexico Pipe Line Company, Lynch Tank Station in Lee County, New Mexico. These bottoms were treated, that is steamed, in New Mexico to do away with as much water as possible for transportation purposes, and in turn moved to Texas. There were other oils or bottoms commingled with that in the storage of the Hardin-Houston Company at Hobbs, New Mexico, approximately one-fifth of the total bottoms moved would be other than the Lynch Station bottoms. The plant at Denver City had not been completed and to this day has not been completed because upon the first report of the Hardin-Houston Company to the Railroad Commission of Texas the request was rejected on the grounds of the basis of this show-cause order.

New Mexico has been laboring for some five months on

the problem of regulating reprocessing plants for the processing of tank bottoms. There have been numerous hearings - four, I believe, to be exact - in Santa Fe before the Oil Conservation Commission, in which the interested parties, being the producer and the processor, have met and discussed at length what should be contained in an Order. The Texas Order prior to your order of the 29th of September, 1947, was used to some extent as a pattern for a proposed Order that was submitted that Commission.

After four hearings in Santa Fe, the Commission appointed a Committee of producers and processors to meet and submit to the Commission a proposed Order covering the general rules of practice and procedure to be followed by a processor, including the report and such checkmates as they might be able to make to insure the least possible violation of the Order possible.

This Committee met and did report and up to this time I have not been notified that the Commission has adopted the proposed Orders. Mr. Spurrier, have they adopted those proposed Orders?

MR. SPURRIER: No.

MR. GIRARD: The serious question that is presented here by this hearing is that an individual or company armed with the legal right to move in interstate commerce a commodity authorized to be moved from without a State



into another State, finds that upon its arrival in the sister State, it is in violation of the laws of that State, although the commodity started in legal means. It had all the covering of a legal shipment. This is the same oil that was moved from New Mexico; it hasn't been touched. I speak of oil, I mean the same tank bottoms that started in New Mexico. It hasn't been touched or treated since that time in Texas. It is a New Mexico product for which a C-110, being our transportation Order in New Mexico, was approved. We take the position in answer to the Commission's Order, that the oil located in the storage tanks of Hardin-Houston Company at Denver City, Texas, is legal, for the reason that it was legal in its inception and that after being brought into this State for further processing because it is not in its present state suitable to go into a common carrier pipe line, it requires further treating to bring it down to pipe line specification; that this emulsion in storage there is legal; that they should have a right to continue or further the process and dispose of the reclaimed pipe line oil; that the filing of the C-110 issued by the Conservation Commission of New Mexico should be sufficient proof to the Railroad Commission of Texas that the oil was legally produced and legally put in commerce; and that the permit of Hardin-Houston Company should not be cancelled.

MR. BAUMEL: Mr. Girand, I don't think that the question here is whether or not the Commission has authority to stop the importation of legally produced oil from New Mexico or any other State into Texas. The Commission has never questioned any import tender on crude oil which has been imported by producers or pipe line operators into the State of Texas. The question here is on your tender which you filed in September, 1947, you stated that the import was for tank bottoms to be moved to a treating plant. Of course, if it was actually tank bottoms, then there would not have been any question as to the legality of it; but when we went out and gauged the tank, it had about 470-some barrels of pure pipe line oil out of 530 barrels of so-called tank bottoms.

MR. GIRAND: I might state this, that we do not deny the result of the test. As a matter of fact, we admit it because we don't know to the contrary. The State of New Mexico recognizes only one crude oil under its present law, and that is pipe line oil of a content of less than two per cent; over two per cent the common carriers will not carry it and the oil either has to be treated down to that content of BS&W or it has to be poured out on the lease premises or disposed of in some way. There has been no regulation by the Conservation Commission of New Mexico covering what is BS&W. That is, these tank bottoms for years have been used on the lease premises, for fire walls

for the tank batteries; they have been used on the lease roads; they have been put in burn pits and burned. Now, in every instance there is a few inches of good oil between your BS&W content and your pipe line outlet. There is a bleeder below the pipe line outlet and it is below the base of the bleeder that the pipe line gauger takes or rejects the oil.

COMMISSIONER MURRAY: I believe that you can rest assured that we are well acquainted with those conditions. The point that Mr. Baumel was making here was that over 70 per cent of this oil met what you have just defined as the New Mexico's condition of being pipe line oil. In a tank of 530 barrels, all of which contained two per cent or more of BS&W, there was calculated to be 70 per cent of pipe line oil; but actually 70 per cent of the liquids in the tank were in the state in which they were tested, pure pipe line oil and there was only 160 barrels or so in the bottom, which itself contained oil that could be through treating made into pipe line oil but did contain more than two per cent BS&W. You understand the difficulty under which we are laboring here and you also understand that this is not in the slightest a question of whether the oil was legally produced or the right of you or anyone else to move under tenders into Texas, but it is a question of whether liquids labeled BS&W for, as we understand, treating at this plant

for which a temporary permit had been granted, were, in fact, preponderantly actually pipe line oil as received.

I thought that would save you difficulty. We understand the accumulation of bottoms, unless they are treated, must be wasted. We don't object to your developing that, but I wanted you to know that we are acquainted with it.

MR. GIRARD: These bottoms were steamed in New Mexico and treated to an extent there before moving to the Denver City plant. How long they have been there, I am not absolutely sure, but I will venture to say they had set in the tank for possibly a month or more.

COMMISSIONER MURRAY: You have a treating plant in New Mexico?

MR. GIRARD: We have a portable steamer, if the Commission please, that they attach to a tank and treat there. They do it for many of the producers. They take these tops of these tank bottoms and the tank bottoms and steam these and where they are requested, or where they purchase those bottoms, they carry them off the lease and treat those bottoms.

COMMISSIONER MURRAY: After you treat them, and as a result of the treating, a major portion of it comes to have less than two per cent BS&W, then under the New Mexico regulations, as I understand it, that is pipe line oil and it also is in Texas, so it could no longer move as BS&W or it must move as a product of tank bottoms or as a crude

petroleum.

MR. GIRARD: I will admit the error in the operator in doing any treating to the commodity before it was brought into Texas.

COMMISSIONER MURRAY: We certainly don't object to them treating it in New Mexico.

MR. GIRARD: The error was in this particular case. But if the Commission please, as I stated earlier, there is only one commodity in New Mexico that is authorized to be placed in transportation in the way of crude production, and that is pipe line oil. They don't even have a regulation for the reclaiming of oil. The individual producer on his lease can treat his oil and run it on his allowable, but where it is not profitable for an individual to treat his own oil and where he is required to clean his own tanks, that salvage in there has been lost all through the years. That is the oil that New Mexico has entirely overlooked for some years; and that is what they have been trying and we have been trying to get New Mexico to recognize in the last few months, and they have. In trying to determine what kind of a tender could be granted so that this oil could be sent to Texas for re-processing, through the Commission and myself we worked out a description of the commodity as BS. We had just as well have called it tank bottom. We just as well have called it emulsion, but we settled on the term "BS". We can call it a white horse, if it had any similarity, but

we didn't; we just used the term "BS".

COMMISSIONER MURRAY: You can't call a cow a white horse when it is in fact a white cow; and that is our difficulty here. 470 barrels of this oil, as I understand it, 492 out of 530, was pipe line oil. We have definitions in New Mexico and definitions in Texas of pipe line oil, so you can't call pipe line oil which is already defined in both States as B&W.

MR. GIRARD: You are correct, sir, and I make no argument; but you can take the skimmings of many tanks and move the better of it in here to Texas, which was done in this case. And it isn't - you are right, it isn't tank bottoms; yet it would still require a further treatment than settling.

MR. BAUMEL: By the same token, I believe you stated that this was treated in New Mexico and assuming you went to the New Mexico Commission and got a tender for 530 barrels of B&W and treated it on your lease there and by taking his orders for BS, you end up with 320 and applied to us for a 500 barrel import tender, it looks like if it was good pipe line oil, somebody over-produced somebody's well to make that up, doesn't it?

MR. GIRARD: No, because this is from a tank farm, a pipe line carrier.

MR. BAUMEL: Then the pipe line carrier must have made up the difference to make this 530 barrels which came

into Texas?

MR. GIRARD: I don't know how they can make it up. They pay on the basis of the gauger at the well. It is their oil; it is the pipe line carrier's loss.

MR. BAUMEL: If the New Mexico Commission gave you a tender for 530 barrels of BS&W and you treated it in New Mexico, then when you apply to the Railroad Commission of Texas for a tender, it wouldn't have been 530 barrels; it should have been less; but when we checked Denver City it was pure pipe line of 492 barrels, so the difference between what you shook out in New Mexico and what you imported to Texas must have been made up of pure oil then.

MR. GIRARD: Mr. Baumel, I don't know. I take this position, that even with the 22 per cent BS&W on shake-out, the pipe line carrier wouldn't take it. They would require a treating out of the tank before they would run it. I may be in error - I am just a country lawyer; but my understanding is if you have by volume over two per cent BS&W, and even less than that in New Mexico now, the switcher will turn down your tank and require you to treat it out. This oil, I believe I will be able to develop, has been in this tank settling out for some time.

COMMISSIONER MURRAY: Probably our questions would be better withheld until you have your witness on the stand.

MR. GIRARD: That's correct.

WHEREUPON, MR. J. B. HARDIN, after  
being duly sworn, testified as follows:

EXAMINATION

BY MR. GIRARD:

Q State your name.

A J. B. Hardin.

Q Where do you reside?

A Hobbs, New Mexico.

Q Are you a member of the firm of the Hardin-Houston Company?

A Yes.

Q Who is your partner in that firm?

A R. O. Hardin.

Q That is your father?

A That's correct.

Q Mr. Hardin, you have procured a permit from the Railroad Commission of Texas on May 19, 1947 to operate a processing plant for reclaiming tank bottoms and waste oil in Denver City, Texas?

A Yes.

Q I hand you a notification from the Railroad Commission. Will you identify this --

MR. BAUMEL: Be marked Exhibit 1.

(Whereupon, the instrument was received in evidence, marked as Hardin-Houston Company Exhibit No. 1, and made a part of this record.)

Q I hand you Exhibit 1 and ask you if that is the authority under which you operate?



A Yes, sir.

Q Tell the Commission how far you had progressed in the construction of the plant authorized by that order?

A Well, we were practically ready to operate there. We had our tanks set, our pump and our treater. All we lacked was installing a treating tube in the treater and a couple of tank clean-out plates.

Q Is that the condition of the plant at the time you filed your Railroad Commission of Texas Form R.P., dated September, 1947?

A Yes, sir.

MR. BAUMEL: That will be marked Exhibit No. 2. We have some copies in our file and we can refer to them.

(Whereupon, the instrument was received in evidence, marked as Mardin-Houston Company Exhibit No. 2 and made a part of this record.)

Q Is that a copy of that report?

A Yes, sir.

Q Mr. Mardin, you described the storage on hand at that time as BS&W; is that right?

A That's right.

Q State to the Commission on what basis you define the commodity and storage as BS&W?

A What was your question?

Q Just state why you describe the commodity in storage as BS&W?

A Well, it was in there, and the tank would need further treatment before it could be sold to a pipe line.

Q Do you know, Mr. Hardin, whether or not the State of New Mexico authorizes the transportation of tank bottoms or BS, under any general order at this time?

A No.

Q They do not?

A That's right.

Q Have you made requests for authority to transport crude oil or BS&W and tank bottoms in the last year?

A Yes.

Q The volumes of BS&W as set out in your Form R.P., where did those volumes originate?

A Principally from tank cleaning job at Lynch Station, pipe line station.

Q At the time you requested the job to clean the Texas-New Mexico Pipe Line Company tank at the Lynch station, did you file an application with the Oil Conservation Commission of New Mexico for a tender to move those tank bottoms?

A Yes, sir.

Q I hand you here Oil Conservation Commission Form C-103, marked Exhibit No. 3.

COMMISSIONER MURRAY: You want to withdraw that?

MR. GIRAND: No; I have a copy of this.

Q I hand you here Exhibit 3 and ask you, is that the application that you filed in regard to the cleaning of that tank bottom?

A Yes.

Q And was it under the tender granted on that application that the

Oil Conservation Commission of New Mexico issued and granted a Form C-110 marked Exhibit 4?

A That's right.

Q I will read this: "This authorizes the transportation of 12,000 barrels of tank and burn pit oil and emulsion from Texas-New Mexico Pipe Line Company, Lynch Station, and particularly from tank No. 1087, and the burn pit adjacent thereto, to the Hardin-Houston Processing Plant located at Denver City, Texas." We offer those two.

MR. BAUNEL: We accept them.

(Whereupon the instruments were received in evidence, marked as Hardin-Houston Exhibits 3 and 4, respectively, and made a part of this record.)

Q Mr. Hardin, in the movement of those tank bottoms, just relate to the Commission what transpired from the time the bottoms were removed from the tank 1087 to their arrival at your plant at Denver City, Texas?

A Some of that top part of the tank bottom is good oil, and we hauled that in to our tank at Hobbs.

Q Referring to that oil that is good oil, state to the Commission whether or not that is the oil lying immediately on top of the BS&W settlement?

A That's right; it is.

Q And the pipe line outlet?

A Yes, sir.

Q And that oil has always been extracted?

A That's right.

Q Go ahead.

A This was hauled into our storage at Hobbs and we treated it there to eliminate any extra hauling to Denver City.

Q At the time you did that, Mr. Hardin, was there any intent on your part to be misleading or violate the authority granted by the Oil Conservation Commission of the State of New Mexico, as shown by their tender, C-110?

A No.

Q That tender was granted on July 25, 1947; when did you start that oil in movement to your Denver City plant?

A It was, I believe in September, sometime the first of September.

Q Around the first of September of this year?

A Yes.

Q And had any processing of that emulsion been conducted?

A No.

Q Your plant is still incomplete?

A That's right.

MR. GIRARD: I believe, for the record --

COMMISSIONER MURRAY: Mr. Hardin, before making application for the temporary permit for tank cleaning plant at Denver City, I believe that's one of several that you requested?

A Yes, sir.

COMMISSIONER MURRAY: You acquainted yourself with the

Commission Orders relating to processing tank bottoms?

A Yes, sir.

COMMISSIONER MURRAY: And you noted in those Orders our definition of BS&W?

A Yes, sir.

COMMISSIONER MURRAY: Which is, I believe, the generally accepted definition of BS&W. I will read from our Order: "The phrase 'tank bottom' or 'tank bottoms' where used in Section II, Section III, Section IV, or Section V hereof shall mean that accumulation of hydrocarbon material and other substances which settle naturally below crude oil in tanks and receptacles that are used in the handling and storing of crude oil, and which accumulation contains in excess of two (2%) per cent of basic sediment and water;..." It was clear to you what our definition, which I believe is the commonly accepted one, was for BS&W?

A Yes. (Indicated by nodding his head)

COMMISSIONER MURRAY: And so you understand that oil which does not contain two per cent BS&W, even though moved with other oil which contains more than two per cent BS&W, cannot under this definition be considered as tank bottoms?

A Yes, sir.

COMMISSIONER MURRAY: That's all.

MR. GIRARD: I would like for the record to show the date of the test made by the Commission on this tank.

COMMISSIONER MURRAY: That test was October 13, 1947.

The man who made the test is here, Mr. Hall, if you desire to question him.

MR. GIRARD: We don't deny that; I want to know the interim of time in there from the time of storage to the time of the test.

Q (By Mr. Girard) Mr. Hardin, you have been advised as to the rules and regulations of the Oil Conservation Commission of the State of New Mexico relative to tank bottoms?

A Yes, sir.

Q Are there any rules and regulations regulating the processing of tank bottoms?

A No, there is not.

Q Do you know of any definition for BSEW as made by the Oil Conservation Commission of New Mexico?

A No.

MR. GIRARD: I believe that's all.

COMMISSIONER MURRAY: This may be an irregular line of questioning, Mr. Hardin, but counsel has asked you and you have stated that you had no intention of misrepresenting the true products that were moved?

A Yes.

COMMISSIONER MURRAY: I would like to ask you, suppose that we were doing this thing all over today, and you are preparing yourself to move this identical substance that was here tested and moving it to your Denver City plant; what do you now consider would be the proper method of handling

that?

A Well, it's oil that came from cleaning jobs, tank cleaning jobs; I guess that --

COMMISSIONER MURRAY: That is not a question to trap you. Since we have movement from New Mexico into Texas with no rules as yet, as I understand it, in New Mexico, I am seeking information as to how you would obtain tenders on this and how you could define it correctly.

A It would be oil derived from tank cleaning operations; processed from the tank cleaning jobs. It would be oil.

COMMISSIONER MURRAY: Can you get a tender from New Mexico for such a product?

A Yes.

MR. GIRAND: Off the record, if you please --

(Off-Record Discussion)

MR. GIRAND: As I understand it, from talking to my client and others, between the pipe line bleeder, from four to six inches below the pipe line outlet, there will be oil that is, or that might be pipe line oil.

COMMISSIONER MURRAY: Surely; that is generally understood.

MR. GIRAND: But the rules and regulations in the State of New Mexico, which is not made in any criticism of that State because we are coming along and we are covering up everything and covering all parts of our industry as fast as they come to us, but there has been no occasion for any

rules and regulations regarding tank bottoms up to the present time. There would be none were it not for the price of crude at the present time. That gauger of the pipe line company that comes in there and turns down a tank and says we won't take any more oil from this tank until you clean the bottom, so far his word has been law and order. The producer has to do something with that tank bottom; he has to clean that tank. There is possibly that little bit of oil in there; but our Commission has control over production of crude oil. If it is processed in a processing plant, it ceases to be crude oil; it is a processed oil. There is no regulatory body or agency to grant the right of movement of this processed product because our Oil Conservation Commission fails to have any authority over the movement of processed products. They are solely a safeguard against the actual production of the crude oil. There was no pattern, if the Commission please, to go by; there were no rules and regulations and still are none, whereby this commodity could be put into commerce. If it was moved to Texas after some processing and put in the Hardin-Houston Company tank there, the fact that it was called BS&W here in our report would be of small consequence as to how we could explain the oil setting there in the tank without anything behind it. We had nothing to call it but tank bottoms. If the applicant the Hardin-Houston Company, has misled the Commission or misrepresented the facts, which apparently they have in the eyes



of the Texas authorities, it was --

COMMISSIONER MURRAY: Because you felt you had no choice in the matter?

MR. GIRAND: There was no other way to get in here, and New Mexico has not authorized to this good day the creation of a tank processing plant.

MR. BAUMEL: Is that also true with the amount of oil that you sent to the Petrolite Company at Kilgore that is under another permit, the definition that you outline here, the BS&W that you ship from Jal, New Mexico; has it already been treated in New Mexico?

MR. GIRAND: As to water content.

MR. BAUMEL: As far as our definition of BS&W is concerned, it wouldn't be BS&W; it would be treated pipe line oil.

MR. GIRAND: No, sir, it is still not pipe line oil; it is just our --

COMMISSIONER MURRAY: Excuse me; another thing we want to go into is this matter of movement to Petrolite Company at Kilgore. We have a copy here of a tender for 26,500 barrels.

MR. GIRAND: Mr. Commissioner, I understand this is an informal hearing and we didn't anticipate going into that matter; we didn't think it should be considered in the matter of the cancellation of this permit.

COMMISSIONER MURRAY: That's correct.

MR. GIRAND: Because this did not originate --

COMMISSIONER MURRAY: You have a right to say it is not under the scope of this hearing, but if we could develop that, it might save the necessity of another hearing, and the manner of how you handled the movement to Kilgore could clarify how you could have handled the movement to Denver City.

MR. GIRAND: Since this is a hearing as to these operations, we have no objection to going into the matter, but we want to reserve the right to withdraw our announcement of ready as far as the hearing is concerned and consider the hearing open for the presenting of further information. I have no idea how far you are going or where you are going.

MR. BAUMEL: The definition you stated, that in New Mexico you have no way in which products, or processed oil could be tendered. As to whether or not this 26,000 barrels you are sending to Kilgore would come under the same definition that it had already been treated in New Mexico; I am pretty sure our Kilgore office, if they should check it, would run up against the same situation that you now have at Denver City. It would be pure pipe line oil and you would be stymied again.

MR. GIRAND: We are going to offer this -- I don't want to offer it for the case in chief. I will hand you that application for tender, which I believe will explain and show -- That is a copy of it -- Will show there was a full

disclosure to our Commission as to what was being done.

COMMISSIONER MURRAY: But now, there is no accusation, you understand; will all of this 26,500 barrels, and you have stated that there may be some more, which is moved by tank car from Jal to Kilgore, will all of that upon arrival in Kilgore meet our definition of BS&W?

MR. GIRAND: That, I can't say.

COMMISSIONER MURRAY: Can you, Mr. Hardin?

A The water content will vary. It won't be below one per cent or even as low as one per cent. The water content may run up to 10 or 15 or 20 per cent. Our purpose at Jal is to heat and try to take out --

COMMISSIONER MURRAY: Will any portion of this 26,500 barrels when received and placed in storage in Kilgore, if we tested it in similar manner to the test made at Denver City, will any portion of that then be pipe line oil?

A No, sir, it will not.

COMMISSIONER MURRAY: You said a minute ago the percentage might run as low as one per cent and under our definition --

MR. GIRAND: That is as to water.

COMMISSIONER MURRAY: I see; but it would have more than two per cent BS?

A Yes, sir.

MR. GIRAND: Here is the copy of the letter of that Petrolite Corporation to Hardin-Houston Company, stating

the specifications of the shipment. The only removal there is water.

COMMISSIONER MURRAY: Then apparently we will not run into similar difficulty there because all of this will fit our definition of BS&W.

MR. GIRAND: If the Commission please, in the State of New Mexico, I think our Oil Conservation Commission has two field employees; is that right, Mr. Graham?

MR. GRAHAM: Yes.

MR. GIRAND: They service our oil producing areas. We are not equipped like the State of Texas where we can furnish adequate supervision from the standpoint of sending men out to check a tank or take a test here or there.

COMMISSIONER MURRAY: We understand that. We lack a lot of having adequate supervision in Texas. We are not under any illusion that we are in any better position here in Texas than there. You have gathered these products; you are now shipping them. How much has been shipped --

MR. HARDIN: There is between 5 and 6,000 barrels.

COMMISSIONER MURRAY: That was shipped -- I believe you have answered me -- all of that will meet our definition of BS&W?

MR. HARDIN: Yes, sir.

COMMISSIONER MURRAY: So I don't believe we need worry about the matter of supervision, if we are going to find this BS&W at Kilgore meets our requirements and there would

be no questions raised about it; and had the same situation existed here now, had all the products come into Denver City and met our requirements, there would have been no question; or had you had a tender for 470 barrels of crude oil, and 30 barrels or 60 barrels, whatever it was, of BS&W, then there would have been no question about that.

MR. GIRARD: I can readily see the error here and the misleading error, but I want the Commission to understand it was an unintentional error.

COMMISSIONER MURRAY: I don't mean to confuse your case, but could you, starting from now, correctly define any produce you brought into Texas, - you now understand our definitions - you have explained to me the difficulty you face in New Mexico, but could you get around that and tender the oil into Texas, correctly defining it?

MR. GIRARD: If the Commission please, so far our Commission does not require shake-down tests. As I read the proposed definition of tank bottoms, it just required two per cent or greater, and that substance below the pipe line outlet, that is tank bottom emulsion. The C-110's from here on will call for the removal of tank bottom emulsion, as defined in the New Mexico Order. Now, that won't necessarily comply with your definition of BS&W. If the Orders require on import tank bottoms that there be a shake-down test and that the percentage of pipe line oil be disclosed before the oil is allowed to enter, I am sure the applicant will com-

ply with it, as well as anyone else and I think it would be good. But right now we go to one Commission to get authority to move it and when it gets to the next Commission, the same commodity has a different definition.

MR. BAUMEL: Couldn't you in assuming that the New Mexico Commission did not define tank bottoms, which you went out and took from the New Mexico pipe line, 5,000 barrels of B&W tank bottoms, which, under New Mexico is tank bottoms; and then you treated it in New Mexico, but still then you took the total product, treated and untreated and shipped it to Texas on the import tender which you supplied to Texas, why couldn't you say the total B&W which you got in New Mexico and show the actual amount recovered in New Mexico, the percentage, so when you add up the percentage of sour and bad oil --

MR. GIRARD: That could be done, but we are up against this. Up to the present time there is no authority for the cleaning of tank bottoms in New Mexico, but there are no rules and regulations. As soon as the Commission in New Mexico authorizes treating plants, then that treating plant can make their tender speak the truth. But if we go to our Commission today and say that we want a permit to transport so much oil, their statutory background is such they can't say here is your tender. They say, where did you produce it, where is the lease and where is the well. We have no well. If we can, as these proposed rules provide, if they

are adopted by our Commission, then our Commission will know from where the tank bottoms came, the amount of pipe line oil or derivatives which we got from those tank bottoms. Then they will issue tenders on our processed product and there will be a full disclosure to the States as to what was actually done.

COMMISSIONER MURRAY: What do you desire to do from now on? You have not constructed or completed the construction of your Denver City plant; you desire to do so?

MR. GIRARD: Yes, sir.

COMMISSIONER MURRAY: You desire to treat tank bottoms gathered in Texas in this plant?

MR. GIRARD: Yes, sir.

COMMISSIONER MURRAY: In full compliance with our rules and regulations?

MR. GIRARD: That's correct, sir.

COMMISSIONER MURRAY: Do you desire to continue to move from New Mexico to your Denver City plant?

MR. GIRARD: Mr. Commissioner, the occasion for that arising will be very slight in the event the New Mexico Commission grants plants for processing in the State of Texas.

COMMISSIONER MURRAY: Then you would process it?

MR. GIRARD: Naturally. The transportation cost would be prohibitive.

COMMISSIONER MURRAY: We have just about covered the case.

MR. GIRARD: I think we understand each other. We just misunderstood what happened before.

MR. LLOYD: This 530 barrels that was taken from New Mexico to your Denver City plant, was it taken there with the idea that further processing would have to be done?

MR. GIRARD: That's correct, to recover the maximum that we could out of it. I believe you had a pipe line connection at Denver City?

MR. HARDIN: Yes, we have a purchaser that agreed to take that oil.

MR. LLOYD: Is your position that no part of that 530 barrels would be accepted by that pipe line prior to further processing of it?

MR. GIRARD: I don't know, sir. I don't know the physical contents at all.

MR. LLOYD: You know whether or not your pipe line that is connected to your plant at Denver City would have accepted any part of this 530 barrels without further processing of it by you?

MR. HARDIN: No, we didn't know whether they would or not. It was the intention of re-processing it there.

COMMISSIONER MURRAY: There would be no necessity of re-processing this oil that now meets the requirements of the pipe line?

MR. HARDIN: No.

COMMISSIONER MURRAY: You would simply move out the



460 barrels of pipe line oil out that could be moved out as it was, and the remaining 60 barrels would have to be processed?

MR. HARBIN: Yes, sir.

Questions by Mr. Lloyd:

Q You didn't intend to further process this 460 barrels?

A At the time we moved it we thought we would have to.

MR. GIRARD: I want the record clear, I don't believe there has been an actual connection to this tank battery or plant that is set up, but there has been an agreement of a common purchaser to purchase the processed oil.

Q This 530 barrels was moved in by truck?

A Yes.

Q What is the status of your plant at Denver City at this time? Is it in the state of completion as much so as it was two months ago?

A No, we have moved the treating equipment out of there.

Q Moved the treating equipment?

A Yes, sir.

Q For what purpose was that moved?

A That was moved to New Mexico for use over there.

Q Just as temporary use?

A Yes.

Q Going a little further, as a matter of fact you hadn't had approval of your first report to the Railroad Commission of Texas, had you?

A No.

Q The plant you do propose to finish at Denver City has never been in such state of completion that it was never equipped to reclaim tank bottoms; is that correct?

A Yes, sir.

Questions by Mr. Greer:

Q Mr. Harkin, I believe on April 23 of this year you made application for permit to operate this reclamation plant. In this application, from which I quote, you state: "In this connection applicant would show that there is recoverable from tank bottoms approximately 30 per cent merchantable oil from the total volume contained therein". You recall making that statement in this application, do you?

A Yes, sir.

Q Have you changed your opinion now about the amount of percentage of recoverable oil in the average tank bottom? You still believe the average tank bottom has 30 per cent recoverable oil?

A I believe it does, yes.

Q What would be your estimate of the recoverable oil in this stock on hand at Denver City; would you be in position to estimate that?

A No, sir, I wouldn't.

Q Did you construct ladders on your tank at this plant, your pipe line storage tanks at the plant?

A Yes.

Q Did you construct ladders on your receiving tank at the plant?

A No, sir, there has been none placed on that plant.

MR. GREEN: I believe that's all at the present time.

COMMISSIONER MURRAY: Are there any questions of anyone in the audience of this witness? We will excuse the witness in a moment and invite any statements from anyone in the group.

MR. W. L. CROTHERS: I would like to ask one question if I might. I am not quite clear on this thing. In the State of New Mexico where you recover pipe line oil from these operations, can permission be obtained to move that oil in the State of New Mexico?

MR. BAUMEL: I understand from the statement made by the attorney here, New Mexico has authority only to grant tenders on oil produced from oil wells and not that reclaimed from reclamation plants.

COMMISSIONER MURRAY: We have some of the members of the New Mexico Commission here; would you feel free to answer that question?

MR. SPURRIER: Certainly. Let's have the question clearly stated first.

COMMISSIONER MURRAY: Surely; will you repeat your question?

MR. CROTHERS: The reclaiming plant in New Mexico, and I thought from the testimony perhaps it was impossible to remove this oil reclaimed in New Mexico through a pipe line. I wanted to be certain that the oil that was reclaimed could

not be moved.

MR. SPURRIER: I think there is a contradiction there, according to my understanding. Mr. Girard may be able to clear that up. Mr. Girard has shown before the Commission of Texas what may be called a tender; Oil Conservation Form C-110 is his authority, as far as New Mexico is concerned, to move BS&W, with no regard to percentage, that is, whether it is 22 or 75 or 56. If I confuse the matter further, that's all right, because I am confused myself, and I want to know what the contradiction is here.

MR. GIRARD: I believe I understand Mr. Crothers' question. Unless you are a producer in the State of New Mexico, at the present time there is no provision for making application for a tender of crude oil because we operate under the assumption that the only place you can get crude oil is out of the ground. So a company can process its own oil and put it in on their allowable and get tenders. But an independent processor, taking non-commercial oil and bringing it to a commercial state, cannot show how we got that oil under our own present rules and regulations. The only way -- And Mr. Spurrier and I had lengthy conferences on that matter, and the only way we could show this in commerce was to call it BS&W, and then what could be reclaimed from it, so that the man seeking to place the reclaimed oil or good oil, would be able to show title to the product. Otherwise he couldn't. He had no producing oil --

MR. CROTHERS: You cannot put BS&W through a pipe line?

MR. GIRARD: For processing, no. We can turn over the processed product if we are a producer and charge it back against our well allowable. But the State of New Mexico has not authorized a reclaiming plant, so if we tendered a company pipe line oil and didn't have any well to charge it to, they wouldn't take it; and if we just said we have so many barrels of oil we want a tender on, they would say, "Where did you get it?" We don't have any oil wells, so we couldn't say, "We got it from this tank bottom and this tank bottom." That is what the Commission of New Mexico has been working on for about four months trying to arrive at a suitable way to handle this matter so there will be adequacy of reports from the processor to the Commission to reduce the hazard of hot oil or any illegal operations.

COMMISSIONER MURRAY: You have any further questions, sir?

MR. WEYEL: I would like to ask a question. Did you say you treated out approximately 10 per cent water in New Mexico, these tank bottoms?

MR. MARDIN: I wouldn't know just how much was treated out. We removed all we could.

MR. WEYEL: In these tanks you have in New Mexico, if there is any free water in the bottom of these tanks, do they drain that off, or is there a tremendous amount of

water?

MR. HARDIN: We bleed off what we can.

MR. WEYEL: These bleed-offs, where they test them, how many inches are these bleed-offs below the pipe line?

MR. HARDIN: I wouldn't know. The bleed-off is on the bottom and the connection is 10 to 12 inches.

MR. WEYEL: I thought you said there was a bleed-off 3 or 4 inches below the pipe line connection and when it reached that point the pipe line would reject the oil?

MR. HARDIN: I think there is a rule that the pipe line company won't run it when this BS builds up within a certain distance of their connection.

MR. WEYEL: That is what I want to know. What is that distance?

MR. HARDIN: I think it is four inches.

MR. WEYEL: The reason I asked that question is that I didn't understand how there could be such a large percentage of oil in this tank at Denver City. If it was four inches and you took in that four inches of oil along with the tank bottoms which settled over a long period of time, then you would have about 33 per cent pipe line oil in with that; and if you had only taken out about 10 or 15 per cent water in New Mexico, I didn't see how the oil in the tank at Denver City could amount to approximately 80 per cent.

MR. GIRARD: You are confusing the two -- The oil at

Kilgore about which in 1940 the statements of the water content did not have any regard to the oil at Denver City.

MR. WYKEL: Since they do bleed off the free water -- I should think he would have some idea of approximately how much water he would have removed from this oil that he treated, should have some idea of the volume of the tank bottoms that he took in from various tanks and how much would be left over for transport. He doesn't have that information?

COMMISSIONER MURRAY: This 530 barrels in question at the Denver City plant came from a tank farm in New Mexico, is that correct?

MR. GIRARD: Yes, sir, Lynch Station.

COMMISSIONER MURRAY: So the discussion we have had with regard to field producing tanks would not apply to a tank farm. This is already owned by a pipe line; it has already been tendered to the pipe line from the producer. Why wouldn't you simply treat that at the tank farm, put the pipe line oil right back in the pipe line tanks? They already had tenders on it.

MR. GIRARD: That is a policy on the pipe lines' part that I can't answer, Mr. Commissioner. They authorized taking of the bottoms along with the cleaning as a part of the consideration for the cleaning.

COMMISSIONER MURRAY: They are regular purchasers of crude oil and if this is pipe line oil, it ought to be as

valuable to them as anyone else; it looks like you could eliminate the shipment of all this oil and work out something where you can turn it back to them.

MR. GIRAND: We can't show where we got the oil.

COMMISSIONER MURRAY: You don't get it.

MR. GIRAND: They would have to show picking it up again. They would have to show picking it up again, because they would have to show running it into Texas. These bottoms don't build up in a day; it takes over a period of sometimes two and three years to build up a bottom, and then you run out of tank, and you put an extra -- one of these big tanks, an extra 10,000 barrels of oil in that month on that pipe line company and they can't show where they got it, your settling out being over a period of months.

COMMISSIONER MURRAY: So you bring it to Texas.

MR. GIRAND: So we bring it to Texas.

MR. LLOYD: Is your inability to deliver it back to the pipe line at the tank bottom where you did the initial processing of it, does that inability arise from the fact that there has been a change in custody of that oil -- that is, the pipe line company had it and referred it to you for reclaiming and it is yours and your inability to transport it back to them at that point arises by virtue of the fact you have no --

MR. GIRAND: Of their source, yes. It sounds silly



and it is, but you see all this oil has already been offered by tender. It has, but they take oil with a content of less than two per cent BS&W, so it stands to reason that their tank bottoms didn't build up in a day; it takes possibly two or three years for them to build up a tank bottom.

COMMISSIONER MURRAY: They have a loss over two or three years greater than the accumulation of bottoms, don't they?

MR. GIRARD: No.

COMMISSIONER MURRAY: Are they one of these companies that can have bottoms accumulate and still have 100 per cent oil tendered? We have some that way in Texas.

MR. GIRARD: That came up before the Commission in New Mexico a few years ago and the report showed that we had at that time an arbitrary 98 per cent tank table strata in New Mexico.

COMMISSIONER MURRAY: When was that?

MR. GIRARD: Oh, about 1940; and they followed Texas again on what they did, and the reports filed by the carriers showed that the greatest loss was about one-fourth of one per cent. They didn't lose that two per cent that they were arbitrarily taking out. Off the record, please --

(Off-Record Discussion)

COMMISSIONER MURRAY: Are there any further questions of this witness? You are excused, Mr. Hardin.

(Witness Excused)

COMMISSIONER MURRAY: Are there any statements that anyone would care to make? Do you have another witness?

MR. GIRAUD: I don't care to offer any more proof. I would like to furnish the Commission with a copy of our C-103 relative to the shippings to the Petrolite Corporation at Kilgore, purely for informative purposes to the Commission. I would like to show the withdrawal of Exhibits 1 and 2.

COMMISSIONER MURRAY: I believe there were no statements from anyone else? The hearing is adjourned. Thank you, gentlemen.

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# HEARING CLOSED

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THE STATE OF TEXAS |  
COUNTY OF TRAVIS |

I, Peggy Nicholson, Official Reporter, Oil and Gas Division, Railroad Commission of Texas, hereby certify that the above and foregoing 39 pages constitute a true and correct transcription of the testimony and proceedings heard in Oil and Gas Dkt. No. 126 #8-11,513, hearing held in Midland, Texas, December 10, 1947, to the best of my ability.

Witness my hand on this the 20th day of December, A. D., 1947.

*Peggy Nicholson*  
OFFICIAL REPORTER, OIL AND GAS  
DIVISION, RAILROAD COMMISSION  
OF TEXAS.

NOTICE OF PUBLICATION  
STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

The Oil Conservation Commission of New Mexico, pursuant to law, hereby gives public notice of the following hearings to be had at a special meeting of the Commission to be held September 17, 1947, beginning at 10:00 A.M. on said date at Santa Fe, New Mexico:

STATE OF NEW MEXICO TO:

All named parties in the following cases,  
and notice to the public:

Case 101

*Oliver. 101*  
In the matter of the application of American Employers Insurance Company for an order directed to Frank Griggs, Lubbock, Texas, John Darden, Lubbock, Texas, and John H. Hawkins, Fort Sumner, New Mexico to show cause why a well located in the NE $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 11, Township 4 North, Range 26 East, DeBaca County, New Mexico should not be declared abandoned and ordered plugged.

Case No. 109

*Oliver. 109*  
*2343 ft*  
*Emmett White*  
In the matter of the application of Leonard Oil Co., Roswell, New Mexico for an order approving an unorthodox location for the Leonard State No. 6 well in the NW $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 28, Township 17 South, Range 29 East, Eddy County, New Mexico, the allocation of production to said described tract and unconditional approval of a C-110 for the well.

Case 110

In the matter of the application of Hardin-Houston, a partnership, Hobbs, New Mexico for a general order regulating tank cleaning, plants processing tank bottoms and recleaning of waste oil and transportation of tank bottoms and waste oil.

Given under the seal of the Oil Conservation Commission of New Mexico, at Santa Fe, New Mexico on August 29, 1947.

OIL CONSERVATION COMMISSION

BY: (SGD) R. R. SPURRIER

Case 111

R. R. SPURRIER, Secretary

*Don S. Bush*  
In the matter of application of G. B. Suppes to unitize the E/2 NE/4 of Section 33, Township 16 South, Range 31 East, N.M.P.M., Eddy County, New Mexico and for approval of two unorthodox locations thereon, (1) 330 ft. from the East line and 1270 ft. from the North line of Section 33, (2) Located 990 ft. from the east line and 1370 ft. from the north line of said section 33, in township 16 South, Range 31 East, N.M.P.M.

LEA COUNTY OPERATORS COMMITTEE  
September 2, 1947

C. MELVIN NEAL  
W. D. GIRAND, JR.

TELEPHONE 54  
L. D. 8  
P. O. BOX 814

NEAL & GIRAND  
LAWYERS  
NEAL BUILDING  
HOBBS, NEW MEXICO

October 4, 1947

Lea County Operators Committee,  
Hobbs, New Mexico.

Dear Mr. Staley:

It has come to the attention of the writer that a meeting has been called of the Lea County Operators for the purpose of discussing the probable effect on the producers the proposed order of Hardin-Houston, applicants in Cause No. 110 now pending before the Oil Conservation Commission of New Mexico, may have.

We would appreciate your advising the operators at the meeting to be held that the proposed order attached to the application of Hardin-Houston will be withdrawn if the Commission sees fit to grant an order to Hardin-Houston comparable with the order granted to Walter Famariss, Jr., as entered in Case No. 104, and that the provisions of that order are acceptable to Hardin-Houston.

By copy of this letter I am advising the Oil Conservation Commission of New Mexico of the contents hereof so that the Commission will be advised that insistence on the proposed order will not be prosecuted at the hearing on October 15th.

Hardin-Houston seeks to obtain a permit to process emulsions and waste oil and do not intent to place any additional burden on the producers in the field.

This letter is written in compliance with my agreement to advise you by mail of the position of Hardin-Houston, and I trust that all objections to the original application of Hardin-Houston will be met by same.

Respectfully submitted,

NEAL & GIRAND,

BY: *[Signature]*

G/lr

Oil Conservation Commission, Santa Fe, N.M.  
George Graham, Attorney, State Land Office, Santa Fe, N.M.  
Lake J. Frazier, Attorney, c/o Frazier & Quantius, Roswell, N.M.

NOTICE OF PUBLICATION  
STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

The Oil Conservation Commission of New Mexico, pursuant to law, hereby gives public notice of the following hearing to be had at a special meeting of the Commission to be held September 17, 1947, beginning at 10:00 A.M. on said date at Santa Fe, New Mexico:

STATE OF NEW MEXICO TO:

All named parties in the following case,  
and notice to the public:

Case 110

In the matter of the application of Hardin-Houston, a partnership, Hobbs, New Mexico for a general order regulating tank cleaning, plants processing tank bottoms and recleaning of waste oil and transportation of tank bottoms and waste oil.

Given under the seal of the Oil Conservation Commission of New Mexico, at Santa Fe, New Mexico on August 29 1947.

OIL CONSERVATION COMMISSION

BY: *R.R. Spurrer*  
R. R. SPURRIER, Secretary

OFFICE OF PETROLEUM  
STATE OF NEW MEXICO  
OIL AND NATURAL GAS DIVISION

The Oil Conservation Commission of New Mexico, pursuant to law, hereby gives public notice of the following hearings to be had at a special meeting of the Commission to be held September 17, 1947, beginning at 10:00 A.M. on said date at Santa Fe, New Mexico:

HEARINGS TO BE HELD:

All named parties in the following cases,  
and notice to the public:

Case 101

In the matter of the application of American Employers Insurance Company for an order directed to Frank Griggs, Lubbock, Texas, John Harden, Lubbock, Texas, and John H. Hawkins, Fort Sumner, New Mexico to show cause why a well located in the NW $\frac{1}{4}$  of Section 11, Township 4 North, Range 26 East, DeSaca County, New Mexico should not be declared abandoned and ordered plugged.

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Case 110

In the matter of the application of Hardin-Houston, a partnership, Hobbs, New Mexico for a general order regulating tank cleaning, plants processing tank bottoms and recleaning of waste oil and transportation of tank bottoms and waste oil.

Given under the seal of the Oil Conservation Commission of New Mexico, at Santa Fe, New Mexico on August 29 1947.

OIL CONSERVATION COMMISSION

BY:

*R. R. Spurrier*

R. R. SPURRIER, Secretary

D. MELVIN NEAL  
W. D. GIRAND, JR.

NEAL & GIRAND  
LAWYERS  
NEAL BUILDING  
HOBBS, NEW MEXICO  
August 1, 1947

TELEPHONE 54  
L. O. 8  
P. O. BOX 814

OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO.

RECEIVED  
AUG 5 1947

Oil Conservation Commission of New Mexico  
Santa Fe, New Mexico

Gentlemen:

We are here enclosing application of Hardin-Houston, a partnership composed of J. B. Hardin and Earl Hardin, for the entering of a General Order by this Commission regulating tank cleaners, processors of tank bottoms of waste, and transportors of tank bottoms and waste oil.

We would appreciate a hearing on this application at the Commission's pleasure and as early as possible.

This application is being submitted in duplicate.

Yours very truly,

NEAL & GIRAND

BY: *W. D. Girand Jr.*

G/mfo  
Encl.

OIL CONSERVATION COMMISSION OF NEW MEXICO

IN RE: CONSERVATION AND PREVENTION  
OF WASTE OF CRUDE PETROLEUM  
AND NATURAL GAS IN THE STATE  
OF NEW MEXICO. }

COME NOW Hardin-Houston, a partnership composed of  
J. B. Hardin and Earl Hardin, both of Hobbs, Lea County, New  
Mexico, and would respectfully show to the Commission:

1. That applicants are engaged in the business of tank  
cleaning and well servicing in the oilfields of eastern New  
Mexico; that in the cleaning of tanks and burn pits there is  
considerable marketable oil that can be recovered from the tanks  
and burn pits by treating; that of the quantity of emulsion  
recovered from tank bottoms and burn pits that the merchantable oil  
salvagable ranges from five to thirty per cent of the total quantity.
2. That under the existing rules and regulations of the  
Commission, there is no provision made for the procuring of tenders  
authorizing the transportation of this recoverable oil.
3. That the Oil Conservation Commission of New Mexico  
was created for the express purpose of preventing waste production  
and marketing of oil and gas in the State of New Mexico.
4. That the matter brought to the attention of the  
Commission by this application is a matter of general concern to  
all oil and gas producing areas in the State of New Mexico, and  
the regulation and control of the salvage oil should be covered  
by a General Order that would be applicable to all areas within  
the State of New Mexico.
5. That at the present time in the majority of the oil-  
fields of New Mexico this salvagable oil is being destroyed by  
burning or dumping upon lease roads and lease properties.
6. That in order to process and save the salvagable oil  
from tank bottoms and waste oils within the state, it is necessary  
that treating plants be constructed for the reason that the small  
amount of emulsion recoverable from any particular tank battery  
or lease property is not sufficient to warrant its processing



separately. The processor will be required to process in amounts of five hundred barrels or more in order to economically process the oil. This in itself will cause a co-mingling of tank bottoms and waste oil from numerous leases. The amount recoverable from any particular lease will be unascertainable.

7. The Commission should enter an Order which would regulate the tank cleaner and well servicer, the transporter of tank bottoms and waste oil as well as the processor of tank bottoms and waste oil so as to preclude the running of hot oil by alleged processors and unscrupulous producers.

8. The applicants tender along with this application a proposed Order which these applicants believe will regulate the parties coming into contact with waste oil and tank bottoms so that the running of hot oil by alleged processors or by any operators under the guise of processing will be precluded and at the same time will conserve natural resources of the State of New Mexico.

WHEREFORE, Applicants pray that this Commission set a date for a hearing on this application and upon a hearing hereon if proper showing is made to enter its General Order regulating tank cleaning, plants processing, tank bottoms and reclaiming of waste oil and the transportation of tank bottoms and waste oil.

Respectfully submitted,

NEAL & GIRAND,

BY *W. L. Girard*  
Attorneys for Hardin-Houston  
(Hobbs, New Mexico)

STATE OF NEW MEXICO }  
COUNTY OF LEA }

I, J. B. HARDIN, being first duly sworn upon my oath, state:

I am one of the members of the partnership, Hardin-Houston; I have read and understand the contents of the foregoing application, and the facts therein alleged are true and correct.

SUBSCRIBED AND SWORN to before me this the 31 day of  
July, A.D., 1947.

My Commission Expires:  
February 12, 1951.

*J. B. Hardin*  
*Samuel C. Summers*  
NOTARY PUBLIC

OIL CONSERVATION COMMISSION OF NEW MEXICO

IN RE: CONSERVATION AND PREVENTION  
OF WASTE OF CRUDE PETROLEUM  
AND NATURAL GAS IN THE STATE  
OF NEW MEXICO.

SPECIAL ORDER REGULATING TANK CLEANING, PLANTS  
PROCESSING TANK BOTTOMS AND RECLAIMING OF WASTE  
OIL AND TRANSPORTATION OF TANK BOTTOMS AND WASTE  
OIL

WHEREAS, it has come to the attention and for the consideration of the Oil Conservation Commission of the State of New Mexico of a necessity to provide adequate and sufficient rules and regulations affecting tank cleaning, plants processing tank bottoms and reclaiming waste oil and the transportation of tank bottoms and reclaimed waste oil in the State of New Mexico; and,

WHEREAS, it has been brought to the attention of the Commission that there is contained in tank bottoms salvagable merchantable oil in quantities ranging from 5% to 30% of the total contents of the tank bottom; and,

WHEREAS, the practice of tank cleaners in the fields of the State of New Mexico has for years been to burn or dispose of waste oil and tank bottoms without attempting to reclaim or process the merchantable oil existing therein, thereby affecting an appreciable waste of natural resources of the State of New Mexico.

THEREFORE, IT IS ORDERED BY THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO, effective the 15th day of July, A.D., 1947, as follows:

RULE 1. No "Tank bottoms", as hereinafter defined, shall be removed from any tank used for the storage of crude petroleum oil unless same has been tested as follows:

(a) At least two gauges, which check, shall be taken on each tank for which tank cleaning permit is applied, the result of both gauges to be reflected on reports to be filed by the producer and the tank cleaner upon forms to be provided by this Commission.

(b) Application for tank bottom cleaning permit shall be made on forms to be provided by the Commission, and shall be filled in completely and approved by the Commission's agent before any tank bottom is removed from any tank. It is not the intention of this rule to require a permit when a producer or operator recycles his own tank bottoms in his own lease treating system, and same is not disposed of except to the regular pipeline outlet to which said lease is connected.

(c) All tank bottoms removed from any lease, or leases, by any tank cleaner or transported other than a common purchaser shall be reported to the Commission as to volume of bottoms removed, place of origin, destination of the shipment and each processor, as hereinafter set out, shall retain a copy of this transporter's report.

RULE 2. No treating plant, as defined in this Order, shall operate except in conformity with the following rules and regulations:

(a) Every person desiring to operate, or cause to be operated, a treating plant under the terms of this Order shall, before he begins the construction thereof, apply to the Commission in writing for a permit. Such application shall state in detail the type of plant contemplated, and method of processing proposed to be used. The Commission shall set such application for a hearing in not less than twenty (20) days and if satisfied that the proposed plant and method of processing will actually and efficiently process, treat and reclaim tank bottoms, a permit will be granted authorizing the construction of such plant under the Commission's supervision. The foregoing requirement as to temporary permits shall have no application to treating plants already in existence and capable of efficiently processing, treating and reclaiming tank bottoms.

No person or persons shall operate, or cause to be operated, a treating plant without having first applied for and obtained an operating permit from the Commission, and such permit will be granted only after the plant has been completed, tested, and approved and upon a showing satisfactory to the Commission, from such application and the evidence in support thereof.

Such permit, if granted, shall be valid for only one (1) year, and shall be revocable at any time after hearing is had on ten days' notice, if, in the judgment of the Commission, the treating plant to which such permit related is so constructed, equipped or operated as not to reclaim and conserve tank bottom; or if, in the judgment of the Commission, the owner or operator of such treating plant, in the construction or operation thereof, is violating any law of the State of New Mexico relating to the production, transportation, processing, refining, treating, and marketing of crude oil, or its products, or any law of said state adopted to conserve the oil and gas resources of the State of New Mexico, or any rule or regulation of the Commission enacted under and in pursuance of said laws.

(b) The total amount of products secured from tank bottoms, by treating plant processing tank bottoms, and operating in conformity with the provisions of this Order shall be entitled to a tender.

(c) Any treating plant operating under these rules and regulations shall, on or before the 15th day of each calendar month, file in the nearest office of the Commission a monthly report on forms to be supplied by this Commission. Each such monthly report shall contain full and accurate information covering the following details of the business conducted by such reporting company during the preceding period. The report shall cover the period from 7:00 A.M. the first day of the calendar month reported, and end at 7:00 A.M. the first day of the calendar month in which the report is filed. The data required in each report shall be:

(1) The number of barrels of each kind of tank bottoms and treated tank bottoms on hand in the possession, custody, or control of such plant, at the beginning and close of such reported period, and location, where all of such tank bottoms and treated tank bottoms were held, including the location and identification of each tank or place of deposit.

(2) The number of barrels of each kind of tank bottoms and treated tank bottoms which came into the possession of such plant during such reported period. Each quantity of tank bottoms so reported shall be identified by the permit number authorizing its taking.

(3) The number of barrels of tank bottoms treated and/or processed during such reported period and number of barrels of treated tank bottoms recovered, and the treating or processing loss during such reported period.

(4) The number of barrels of treated tank bottoms sold and/or delivered and/or transported during the reported period; to whom delivered and/or transported, together with the approved tender number on which such delivery was made.

(5) After the report form to be prepared by the Commission has been assigned a serial number and approved by an authorized agent of the Oil Conservation Commission, it may be used to support delivery tenders for the rest oil on hand at the end of the reported period.

RULE 3. (a) Any person picking up, reclaiming or salvaging any "wash-in" oil, creek oil, pit oil, or "pipeline break" oil shall apply to the Commission for a permit to do so before picking up, salvaging or reclaiming the same. All applications or permits to pick up or reclaim wash-in oil shall state the name of the lease, the number of the well or wells in which such oil was used for wash purposes, and the name of the operator so using the same for such purposes, and the date on which it was used. The application shall also show the source of the oil, giving the name of the lease, the name of the operator, the date acquired.

(b) Applications for permit to pick up creek oil shall state the location of the oil sought to be picked up, the name of the creek, if known, and the source of such oil, giving the name of the lease, the number of the well from which the same escaped, together with the name of the operator of such lease and well; such applications shall also state, if known, the date on which such oil escaped from such well, the cause of escape.

(c) Application to pick up, salvage or reclaim pit oil shall describe and identify the location of the pit, or pits, to be drained, and the name of the party in possession, or who has control of the pit oil, or other substance containing crude petroleum and such application shall also describe the well or wells from which such pit oil or other fluid or substance containing crude petroleum was produced, if ascertainable, and the name of the lease on which such well or wells may be located, if ascertainable.

(d) Applications to reclaim pipeline break oil shall state the location of such oil, the location of the break in the pipeline causing the leakage of such oil, the name of the pipeline carrier, the owner thereof, and the date of the break.

RULE 4. All applications for permits as tank cleaners, tank bottom processors, waste oil processors, pit oil processors as well as the transportors thereof shall be made in writing under oath to the Oil Conservation Commission of the State of New Mexico.

RULE 5. IT IS ORDERED that unless the content otherwise requires, the words defined in this Order shall have the following meaning:

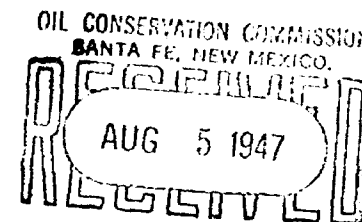
(a) "Person" shall mean any natural persons, corporations, associations, partnerships, receivers, trustees, guardians, executors, administrators, or a fiduciary, or representative of any kind.

(b) "Treating Plant" shall mean any plant or assembly of machinery or equipment, such as boilers, pipes, tanks, pumps, et cetera, constructed for the purpose of wholly or partially, or being used wholly or partially for cleaning tanks, removing tank bottoms from tanks, transporting tank bottoms, or reclaiming, treating, processing, or in any manner cleaning and marking tank bottoms marketable.

G. MELVIN NEAL  
W. D. GIRAND, JR.

TELEPHONE 54  
L. O. 8  
P. O. BOX 814

NEAL & GIRAND  
LAWYERS  
NEAL BUILDING  
HOBBS, NEW MEXICO  
August 1, 1947



State Geologist  
R. R. Spurrier  
Santa Fe, New Mexico

Dear Dick:

I am here enclosing copy of application  
of Hardin-Houston for general order covering waste  
oil. Any suggested changes will be appreciated.

I would like for this matter to be set  
down for hearing at the earliest possible date.

Best personal regards, I am,

Yours very truly,

NEAL & GIRAND

BY:

A handwritten signature in cursive script, appearing to read "W. D. Girand, Jr.", written over a horizontal line.

G/mfo  
Encl.

CASE NO. 110

In the matter of the application of Hardin-Houston, a partnership, Hobbs, New Mexico for a general order regulating tank cleaning, plants processing tank bottoms and recleaning of waste oil and transportation of tank bottoms and waste oil.

This case has been continued from September 17, 1947, and in connection with Case No. 104.

MR. SPURRIER:

Just for the record, to quote the record of a previous hearing held September 17, 1947 - the record in that hearing shows Case No. 110 and Case No. 104 were continued to October 15, 1947.

MR. D. W. GIRAND, Jr. - Hobbs, New Mexico

It is my understanding that the hearing on the 15th or 17th - that the matter would be held open for some of the major oil companies that might want to protest the application, and for that reason alone. I believe the burden will now shift to the protestants, if any. There was no formal protest.

MR. SPURRIER:

That was my understanding.

MR. GIRAND:

I want to inform the Commission as to the present status of the case. The applicant has withdrawn the proposed order attached to the application, and since that time with the cooperation of the operators, we have formulated certain rules and regulations which I believe have the approval of the operators; governing the operation process, which we will offer at this time. The optional features of our application were withdrawn. I believe the Commission has been notified of that portion of the application.

We seek now a permit as processor of these tank bottom and other waste oil that might be made available for processing.

COMMISSIONER MILES:

Anyone want to be heard or make a statement.

MR. GLENN STALEY - Lea County Operators.

At the meeting held on September 17th the operators had an opportunity to look over the Order granted by the Commission, Order No. 726, Case No. 104, to Mr. Walter Famariss, Jr., and there were a number of objections that the operators had to the findings of the Commission. They realize, of course, the Commission was following the interpretations of the evidence presented, but in order to clarify the record and to set before the Commission the operators' views in the matter, a meeting of the Lea County Operators was called to go over the Order as issued, section by section, and the operators appointed a Committee on October 6th to draft a recommendation to the Commission changing those things that were objectionable to the operators. With your permission I will read the report of the Committee.

REPORT OF LEA COUNTY OPERATORS SUB-COMMITTEE  
APPOINTED 10-6-47 TO MAKE A STUDY OF  
COMMISSION ORDER #726, CASE #104

The committee proposes to the operators the following statement to the Conservation Commission at the Hearing to be held in Santa Fe on October 15th, 1947.

The operators feel that certain modifications should be made in the order issued in the CASE #104. It is the feeling that no reasonably preventable waste exists. Present experience by 16 companies, representing 85.3% of total production, indicates that "substantial waste" and "great quantities" of waste does not exist from field gathering tanks and well completions.

It is desired to point out that a large percentage of these tank cleanings and pit oils are used to maintain lease roads, tank battery grades, well yards, etc., which maintenance, if this material were not available, would require greater expense to the operators, due to terrain conditions, and that every reasonable effort is being made by the majority of operators to reduce the frequency of tank cleaning and bottom accumulations, by use of Chemicals, treating systems, circulating pumps, etc.

In the second place, we believe that the Commission should include in any order with reference to the processing of tank bottoms or pits a provision that the net oil contained in the tank or pit as determined by A.P.I. method of testing, shall be charged against the allowable of the lease served by that tank or pit.

In the third place, we recommend that any such order should apply only to persons engaged in the business of purchasing and treating tank bottoms and pit oil. To accomplish this purpose, we suggest the use of the following language:

IT IS FURTHER ORDERED that the provisions of this order shall not apply to the treating of tank bottoms on a lease where produced and the oil recovered therefrom is not disposed of except through a duly authorized transporter.

IT IS FURTHER ORDERED that the provisions of this order shall not apply to the treating of tank bottoms at a pipe line station, crude oil storage terminal or refinery where the oil contained in the tank bottoms located at such stations, terminals or refineries is reported as a part of the inventory and

tenderable balance of the owner or operator of such station, terminal or refinery, and where the treated oil is not disposed of except as a part of the regular deliveries of crude oil from said station, terminal or refinery.

IT IS FURTHER ORDERED that the provisions of this order shall not apply to the transfer of tank bottoms from one tank to another tank located on the same lease, or located at the same pipe line station, tank farm or terminal in the event there is no change in the custody or control of the tank bottom.

IT IS FURTHER ORDERED that the provisions of this order shall not apply to the treating at a gasoline plant of oil and other catchings collected in traps and drips in the gas gathering lines connected to such plants and in scrubbers at such plants.

IT IS FURTHER ORDERED BY THE COMMISSION that this docket be kept open for such other and further orders as may be necessary and appropriate in the premises.

COMMISSIONER MILES:

Has this been introduced?

MR. FRASIER:

Did the Operators approve that?

MR. STALEY: Yes, sir.

MR. GIRAND:

The operators approved the tentative form of rules for governing treatment, did they not, Mr. Staley?

MR. STALEY: I think so.

MR. WILLIG (The Texas Company)

We did not concur in all the provisions of the proposed order, but will make our statement after it is presented.

MR. GIRAND:

We are in this position - We put on our case and the protestants asked for time if they decided to protest. If there is no objection for our proposed petition, that is what we came here to meet at this time.

COMMISSIONER MILES:

The order you introduced before has been withdrawn.

MR. GIRAND:

The question of granting a permit for processing was more or less suspended at the time being.



MR. GEROGE GRAHAM:

Your rules were merely suggested rules for guidance and consideration of the Commission?

MR. GIRAND:

That is correct. The Commission had not up to this time set down any rules or regulations for this.

MR. GRAHAM:

You made those for the guidance of the Commission?

MR. GIRAND:

That is right. I have here some roughly sketched rules that were discussed last night at the Operators' meeting with the several changes made. I re-drafted it this morning and there has been additional changes since then.

I will read the proposed order if the Commission please - the Commission has granted one permit to Walter Famariss, Jr., and a temporary permit to Hardin-Houston; but the Commission at this time does not have any rules or regulations exercising any control over the operator of such a plant. We seek, in addition to getting a permit, to promulgate rules and regulations to govern the operation. That is what we have tried to arrive at. We suggest these rules and they are only offered as a guidance and do not insist on the phrasings.

RULE I.

No treating plant, as defined in this Order, shall operate except in conformity with the following rules and regulations:

(A) Every person desiring to operate or cause to be operated a treating plant within the State of New Mexico under the terms of this Order shall, before he begins the construction thereof, apply to the Commission in writing for a permit. Such application shall state in detail the location, type and capacity of the plant contemplated and method of processing proposed to be used. The Commission shall set such application for hearing in not less than twenty (20) days, and if satisfied that the proposed plant and method of processing will actually and efficiently process, treat and reclaim tank bottom emulsion and waste oil, and that there is a need for such a plant at the proposed location thereof, a permit will be granted authorizing the construction of such plant under the Commission's supervision.

No person or persons shall operate, or cause to be operated, a treating plant without having first applied for and obtained an operating permit from the Commission, and such permit will be granted only after the plans of the plant have been approved and applicant has filed and had approved his bond as hereinafter provided and upon a showing satisfactory to the Commission of the necessity thereof.

Such permit, when granted, shall be valid until revoked or abandoned, and shall be revocable at any time after hearing is had or ten (10) day's notice, the Commission finds:

(1) The treating plant under which such permit related is so constructed, equipped or operated as not to reclaim and conserve tank bottom emulsion and waste oil;

(2) The owner or operator of such treating plant in the construction or operations thereof, is violating any law of the State of New Mexico relating to the production, transportation, processing, refining, treating and marketing of crude oil or its products;

(3) The owner or operator of such treating plant is violating any law of the State of New Mexico adopted to conserve the oil and gas resources of the state, or any rule or regulation of this Commission enacted under and in pursuance of said laws;

(B) The total amount of products secured from tank bottom emulsion and waste oil by treating plant processing tank bottom emulsion and waste oil operating in conformity with the provisions of this Order shall be entitled to a C-110 - Add charge to allowable.

(C) That before actual operations are begun, the permittee shall file with this Commission a surety company bond payable to the Oil Conservation Commission and/or the State of New Mexico in the amount of \$25,000.00, conditioned upon faithful performance by the permittee of the provisions of this Order or of any further Order in this cause, observance of the applicable laws of the State of New Mexico and the rules and regulations heretofore or hereafter promulgated by the Commission in any wise applicable.

(D) Any treating plant operating under these rules and regulations shall, on or before the 15th day of each calendar month, file at the nearest office of the Commission a monthly report on forms to be supplied by this Commission. Each such monthly report shall contain full and accurate information covering the following details of the business conducted by such reporting permittee during the preceding period. The report shall cover the period from 7:00 A. M., the first day of the calendar month reported, and end at 7:00 A.M., the first day of the calendar month in which the report is filed. The data required in each report shall be:

(1) The number of barrels of tank bottom emulsion, waste oil and treated tank bottom emulsion on hand in the possession, custody or control of such plant, at the beginning and close of each reported period, and the location where all of such tank bottom emulsion, waste oil and treated tank bottom emulsion are held, including the location and identification of each tank or place of deposit.

(2) The number of barrels of tank bottom emulsion, waste oil and treated tank bottom emulsion which came into the possession of such plant during such reported period. Each quantity of tank bottom emulsion so reported shall be identified by the tank number of the operator from whom it was obtained and/or the location where obtained.

(3) The number of barrels of tank bottom emulsion and waste oil treated and/or processed during such reported period and the number of barrels of pipeline oil recovered, and the treating or processing loss during such reported period.

(4) The number of barrels of pipeline oil sold and/or delivered and/or transported during the reported period, to whom delivered and/or transported, together with the approved C-110 on which such delivery was made.

(5) After the report form to be furnished by the Commission has been assigned a serial number and approved by an authorized agent of the Oil Conservation Commission, it may be used to support a C-110 for the net oil on hand at the end of the reported period.

(6) From and after the date of the adoption of this Order, it shall be a violation of the rules of this Commission for any person to place in commerce and/or transfer tank bottom emulsion or waste oil, requiring treatment before meeting pipeline requirements, to anyone other than a permittee holding a permit from this Commission as a processor.

#### RULE 2:

The words defined in this order shall have the following meaning:

(A) "Person" shall mean any natural persons, corporations, associations, partnerships, receivers, trustees, guardians, executors, administrators or a fiduciary, or representative of any kind.

(B) "Treating Plant" shall mean any plant or assembly of machinery or equipment, such as boilers, pipes, tanks, pumps, etc., constructed for the purpose of wholly or partially or being used wholly or partially for reclaiming, treating, processing or in any manner cleaning and making tank bottom emulsion and waste oil marketable.

(C) "Tank bottom emulsion" is hereby defined as that substance containing 2% or greater basic sediment and water limited to volume below the tank pipeline outlet, and in the case of lease production tank where the volume exceeds the pipeline outlet the same may be treated and processed upon special order of the commission only.

(D) "Treated Tank Bottom Emulsion" shall mean the recovered product from the treating, reclaiming, processing or cleaning of tank bottom emulsion and waste oil. This term shall be used by treating plants in the application for C-110.

(E) "Waste Oil" shall include pit oil, line break oil, gasoline plant catchings not up to pipeline requirements, which for the purpose of this order shall carry the same requirements as to reporting as does tank bottom emulsion as set out above.

RULE 3

(1) The foregoing requirement shall have no application as to treating plants operated by the person operating the properties from which the emulsion or waste oils are obtained.

IT IS FURTHER ORDERED BY THE COMMISSION:

That this Order shall control all rules and regulations with reference to the same subject matter and in conflict herewith, if any.

IT IS FURTHER ORDERED BY THE COMMISSION:

That this docket be kept open for such other and further orders as may be necessary and appropriate in the premises.

MR. GIRAND:

We seek in this order not to place any limitation whatever on operator in salvaging of whatever merchantable oil might be recoverable. We believe the application of Hardin-Houston is sufficient in having the matter clearly before the Commission at this time, in that the application seeks certain rules and regulations by promulgating and withdrawing a portion of our application and the part not withdrawn is included in our suggested rules and regulations.

MR. FAMARISS:

Mr. Staley could I ask a couple of questions?

When the hearing held on the application of mine, it was testified that considerable amounts of these substances was being burned, lost or destroyed - you tell the Commission there has been no waste or substantial loss.

MR. STALEY:

All the operators are trying to do in presenting this today was to clarify in the minds of the Commission where the majority of the so-called waste might be taking place. We have a number of pits scattered throughout Lea County, the pipe lines where the paraffin and mud or water accumulates in bottom of tanks - where this material is put when the tanks are cleaned, in some instances those accumulations have been over long period of years the tanks get full and they are set on fire and destroyed because nothing can be done with them. In some parts of the country there are being erected reclamation plants to recover paraffin. We have instances where there is ever so often the accumulation of mud, water and paraffin and mixed with this there will be small quantities of tank bottom oil. This is in the field gathering tanks in the various leases scattered through Lea County. When this accumulation gets to the point where it is liable to interfere with the clean oil going into the pipeline, gets too close to the pipe line outlet, the pipe line gauger notifies the Company the tank will have to be cleaned before the pipeline will accept anymore oil from it. That is the material the operators have, there may be in certain cases but a small amount of recoverable oil that could be used or run through pipelines. Then we have the gasoline plants who gather all the gas from the various wells in the production of oil, once in awhile the trap or the valve at the trap will stick and crude oil will go over into the gasoline. In order to keep that oil from getting into the compressors, the gasoline plant - the Company installed scrubbers on their lines just before the lines get into the plant, and they trap all this oil. Some instances, especially in the winter time, a large quantity - there might in one night get as high as 50 or 100 barrels, and might not happen again for two months. There is no way for the gasoline plant to trace where that came from. You have the cleaning of the tank well, tanks or gathering tanks of the pipe lines. All the oil goes to the

pipe lines - the royalty has been paid and also the tax. It is merely an accumulation of a long period of years, foreign matter that comes in with the oil.

Does that give you a picture - I might add a high percentage of the area in which oil is produced in Lea County is what is called sand area - for some unknown reason we do not get a great deal of rain, and the building of roads in those sand areas is extremely expensive. If we do not have these tank bottoms to hold the sand and pack those roads caliche must be hauled in, and in period of time the caliche becomes dust. That is more valuable for the operators to use the waste material from tank bottoms to hold the sand roads and the tank grass around their operations in the various fields.

COMMISSIONER MILES:

What did you say about this oil -  
the tax had been paid?

MR. STALEY:

All the oil goes to pipelines has been gauged in the tanks and operator and royalty has been paid before it goes to these places. The gauges are made in the field tanks of the operator. That applies only to pipeline tanks.

MR. FRASIER:

Mr. Staley, when the Commission issued permission to Mr. Farariss on the basis of showing made at that hearing, it was determined not to charge this recoverable to the allowable. As I understand, the operators feel any recovery should be charged to the allowable?

MR. STALEY:

That was the findings of the Committee.

MR. FRASIER:

Will you tell the Commission why you reached that conclusion?

MR. STALEY:

I would rather have Mr. Bruner of the Shell tell that.

MR. BRUNER:

There was quite a bit of discussion involved on arriving at that recommendation. The Committee feels that in effect if we sell any waste oil we are immediately faced with a legal problem as to getting back to the royalty owners. If we have the allowable the net oil recovery it simplifies the administrative procedure very much so far as we are concerned. We immediately deduct it from the allowable that month and it is shown on the regular statements to the royalty owner and he gets his share. It is a check to a certain percentage you have showing exactly what your waste oil is.

MR. FRASIER:

That is your main objection to the Famariss Order?

A. Yes, sir. I would like to make one statement as chairman and representing the Shell - We thought the words "great quantities" and "substantial waste" unsatisfactory terms. Actually, as Mr. Staley pointed out, that waste is somewhat a part - small part and probably is not waste. It is not excess because we have more times a problem in the field and using tank bottoms for the purpose of holding down fire walls and roof. As an operator we are concerned in producing

oil where we are not into any considerable quantity of dirty oil and we re-clean our tank bottoms and as are found in many major operators problems the tank bottoms are cleaned very rarely. Our average for the first 6 months of this year was one tank for every two years which is a very small percentage for the actual amount of a producer.

MR. FRASIER:

Hasn't a great deal of this pit oil been burned and wasted?

A. I cannot say how much of that. You drive down a highway you see one or two pits burning, but usually you find it is a very short period, when you consider the number of leases involved.

MR. GRAHAM:

You do not charge back the allowable of oil used on roads and tanks?

A. All our leases have given authority to utilize the oil. We can burn this without charging back, it is permissible under the lease.

COMMISSIONER MILES:

You do believe under this process of treating there could be some recovered that is now waste?

A. By some operators a certain amount - anywhere from 20 to 35 percent of any bottom can be salvaged. Our percentage figures are a little bit lower than in previous discussions.

MR. GRAHAM:

In using the term of substantial waste, from the standpoint of the producer there is a substantial amount from the whole oil industry - there is a recoverable percentage. We had only before us the evidence offered by Mr. Famariss. In drafting of that particular order from his standpoint there is waste enough to invite him into the business.

A. To get an idea - to determine for an individual the amount wasted per lease in a tank may be 30 or 40 barrels at the most - may recover as much as 8 or 10 barrels.

MR. GIRARD:

That would be anywhere from 6 months to two years accumulating?

MR. GRAHAM:

That would be substantial to the processor but insignificant to the whole industry.

MR. BRUNER:

It would be a substantial sum to process if he is able to get 2 or 3 thousand barrels per month over several miles and several years.

MR. GRAHAM:

The Order was drafted on the evidence offered at that hearing and to Mr. Famariss that was a substantial amount for his business.

MR. BRUNER:

My own feeling is the amount of oil re-captured from tank bottoms will be a small percentage. These are considered scrubber oil - gasoline drippings, etc.

MR. GIRAND:

They are not limiting their rights to production tanks. Gasoline plant casinghead, transporters pit oils, etc.

MR. GRAHAM:

Undoubtedly we used the term "great quantities" loosely.

COMMISSIONER MILES:

Is the allowable referred to in this application?

MR. GIRAND:

No, sir. It is not mentioned, we do not propose to buy this if there is any way out of it.

MR. FRASIER:

Mr. Famariss proposes to purchase it and you do not wish to purchase it.

MR. WILLIG: (Texas Company)

I would like to make a statement with respect both to the statement that was filed by Mr. Staley - The Texas Company, one of the 16 operators mentioned in that statement who concur in the statement - in connection with the proposed order of Mr. Hardin; the Texas Company feels they have no particular interest in the application of the tank cleaning operators, however, we would like to point out to the Commission the one point Commissioner Miles just mentioned is not the same as the operators have recommended in their statement.

In other words, the oil to be processed under the permit under this application would not be charged back against the allowable or well or lease from which it came. In our own operations we do not admit the waste cited. If the reason for granting the first permit in Case No. 104, Order #762 - the Texas Company is engaged primarily in production of oil. This is the only source of revenue from the wells we drill. We want to sell as much production as economically possible. We follow good practice in treating the oil in our tank bottoms and do not believe we will have to take recourse to these plants. We have no objection to this but wish to caution the Commission in charging back is one of the best checks.

MR. FRASIER:

You have an objection to Hardin-Houston having the same permission as Mr. Famariss - with that objection?

MR. WILLIG

I would rather base it on the order proposed here. Under these general rules I understand this application is merely a suggested procedure for granting permission to one section to which I make reference - Rule I, Section B -

"The total amount of products secured from tank bottom emulsion and waste oil by treating plant processing tank bottom emulsion and waste oil operating in conformity with the provisions of this order shall be entitled to a C-110. (Add: Charge to allowable)."

That, of course, as far as it goes will be a necessity, I do not think it is comprehensive enough in that it does not state the reclaimed oil will be charged back against the allowable or lease from which it came.

MR. GIRAND:

Do you believe that should apply here or in an Order directed against the operators.

The processor will not be in a position to examine titles of leases. Cleaning tanks every two years - to add that provision to the rules and regulations of the processor, that is not the processor's proposal here that it has the benefit out of having the permit - they will have no way in the world to ascertain the title to the oil they finally process into pipeline oil.

MR. WILLIG:

Your proposed order contains provisions that the identity of the oil be reported to the Commission.

MR. GIRAND:

Only as to quantity. You procure a certain quantity of emulsion from Tank #---- and operator #----. If you set up processing plants you are going to have to treat in quantities of 500 barrels or more at the time.

MR. WILLIG:

Even if you charged back against the leases, the known leases from which it came in approximate money - that would still be a check against the use of permits if you did.

MR. GIRAND:

Why isn't that check now here, the processor is going to operate throughout the entire field - it cannot be too much change from one lease to another. If the reports from one process have a great variance the reports in that order would be sufficient to put the Commission on notice for some investigation.

MR. WILLIG:

I can visualize instances where the tank cleaning process would only process one lease in the fields.

MR. GIRAND:

In that event there is quite a few territories and areas in the State of New Mexico where oil is being produced - surely they ought to be able to furnish their own treating facilities. I think there will be a cross-section so far as that goes.

MR. WILLIG:

We were merely suggesting that as a reasonable check against the abuses we aren't telling the Commission what kind of an order to write.

GOVERNOR MABRY:

Is that your only objection if and when the Commission feels it wants to adopt these rules - anything else you object to Mr. Willig?



MR. WILLIG:

No, sir, Governor, there might be some details - the order is in general terminology.

GOVERNOR MABRY:

Is that your only objection when the Commission feels it wants to adopt these rules and regulations?

MR. WILLIG:

That's all.

GOVERNOR MABRY:

How do you feel about the necessity of this processing - the agency?

MR. WILLIG:

In our own operations we do not consider plants of this type necessary because we have facilities for treating our own tank bottoms. We realize there may be operators who do not have those facilities, in that case such plants probably would be justified. We are not protesting but feel the Commission can grant permits for reasons other than the reason cited in the first application.

COMMISSIONER MILES:

I am sure the language used wasn't the thought of the Commission.

MR. WILLIG:

It was our purpose to assure the Commission we were producing as efficiently as we knew how.

COMMISSIONER MILES:

Anyone else want to make a statement?

MR. LLOYD L. GRAY (Gulf Oil Corporation)

I believe we concur with the statement made by Mr. Staley - read by Mr. Staley, and the objection expressed by Mr. Willig. I wonder if we could not take paragraph B, Rule I and make an addition to it?

COMMISSIONER MILES:

Read it please.

MR. GRAY:

"The total amount of products secured from tank bottom emulsion and waste oil by treating plant processing tank bottom emulsion and waste oil operating in conformity with the provisions of this order shall be entitled to a C-110."

A suggested addition providing that the merchantable oil recovered from tank bottoms and pit oil shall be chargeable against the allowable and from the leases from which it came.

MR. GIRAND:

Isn't a regulation against the operator and processor. The processor can only report the quantity of emulsion he picks up. Due to the fact that the co-mingling the extent of the recovery of the conglomerate will be to say we got so much of Lease #1. - - It will be impossible to do. If the processor reports back to the operator he recovered 50% and asks the operator to charge that against the allowable, who is going to be put in charge in this?

MR. GRAY:

I figure it is regular matter of testing tank bottoms for the amount of recoverable oil. I understood the Texas Commission made an order using the A.P.I. method to conclude how much oil was recoverable. I do not believe it would affect one in any way - The report of the A. P. I. it would be up to the operator to deduct that amount of oil from the particular lease - As I see it wouldn't affect your operations in any way.

MR. GIRAND:

Where the recovery is not sold it does not go back to the royalties. You only propose that where the tank bottoms are sold?

MR. GRAY:

That is right.

MR. GIRAND:

The tank bottoms will not be sold on the amount of recovery, they will be sold on the amount from the tank bottoms.

MR. GRAY:

That as I understand it.

MR. GIRAND:

The quantity you are selling is quantity of tank bottoms or pit oil. the result will be you will be you will pay royalty on the amount received from that emulsion?

MR. GRAY:

I presume so.

MR. GIRAND:

You won't pay royalties on the amount reported as oil from the emulsion?

MR. GRAY:

As I understand, it will be on the basis of the basis of the A.P.I. test and that will be the report to the Commission on a form supplied by the Commission.

COMMISSIONER MILLS:

Let me see - as I understand your statement about determining the amount of oil is they turn in the tank before you process it.

MR. GRAY:

At the time the transporter comes to get that he can take a sample.

GOVERNOR MABRY:

Whether it is the processing result in that much recovery is something for him to worry about - do you agree on that?

MR. GIRAND:

I agree the test can be made, whether that will work as a practical matter in the processing I don't know.

MR. FAMARISS:

I would like to add this much to Mr. Gray's A.P.I. idea - A sample of the mass would probably be carried out four decimal places, you can do a lot of things in a test tube that in mass operations are impossible. The A.P.I. test for the termination of recovery of oil would not be a representative of recovered oil from the mass when treated. This is a matter of opinion but happens to be my opinion.

MR. GEROGE GRAHAM:

Would you, from your own information, tell me your views on what variation there would likely be in the tests?

MR. FAMARISS:

The test tube will show a greater recovery in many instances than will practical processing.

GOVERNOR MABRY:

Could it show less?

MR. FAMARISS:

In particular instances it might, but I cannot think of instances where it would.

MR. GRAHAM:

How much leeway would you have?

MR. FAMARISS:

I think it is a basis that frankly could not be used.

GOVERNOR MABRY:

The better way would be to leave it up to you to show what you got?

MR. FAMARISS:

Yes in mass - yes.

GOVERNOR MABRY:

Assuming you need the check?

MR. FAMARISS:

The Commission undoubtedly will be familiar with the reasonable percentages - if 1,000 barrels made a recovery of 1%, and the rest would be a relative percentage but not necessarily related percentage.

GOVERNOR MABRY:

That should do away with  
the test tube and get  
something else.

Does the industry agree  
the A.P.I. is not a fair test?

MR. NELSON JONES:

Isn't it true this A.P.I. method is in general use for the purpose of  
determining the oil content in tanks?

MR. FAMARISS:

In sale of tanks from producing company some pipe line companies  
rely in that particular tank.

MR. JONES:

Isn't it true that method is in general use throughout the oil country?

MR. FAMARISS:

That is true in establishing the value of the oil sold by the producing  
company to pipe line company. That does not necessarily mean there is  
an accurate recovery in case of reclamation.

MR. JONES:

Do you know of any other method better than the A.P.I. for the check-out  
test?

MR. FAMARISS:

For an individual tank bottom?

MR. JONES:

I am talking about a general ruling for determining oil content in the tank.

MR. FAMARISS:

No, as explained a moment ago, one mass of emulsion will react to a  
higher recovery than another of the same quality.

MR. JONES:

The method under discussion - the generally accepted one and so far as  
you know the only one now in use is it not?

MR. FAMARISS:

Yes, but at the same time does not indicate the recovery.

MR. GRAY:

This A.P.I. requires there shall be no heat applied at the time of the test,  
I should think, if anything, the tank bottom if properly sampled would possibly  
yield a little more than the test. I feel this isn't an unreasonable test.  
We have more or less throughout the industry used a test of that nature. Some  
tests we realize are not exactly accurate.

GOVERNOR MABRY:

The only other way is to see  
what he gets and take his  
figures.

MR. FRASIER::

Hasn't your client been operating on a physical basis?

MR. GIRAND:

That is right, you have to make an A.P.I. test?

MR. HARDIN: Yes, sir.

MR. GIRAND:

How is it working out?

MR. HARDIN:

Up to this date we could not tell you how the percentage is going to check.

GOVERNOR MABRY:

Are they requiring that you report they see to the distribution of the producer - that is why he wants to charge against his allowable?

MR. GIRAND:

As I understand, the only purpose of this test is on the oil - emulsion sold. If it wasn't sold the test is not necessary or no other procedure - just report in the quantity of emulsion taken into the plant. Only where you process that emulsion shall the test be run.

MR. GRAY:

Just in case of transfer of title to that oil.

MR. GIRAND:

The title is changed by abandonment on the part of the Company.

GOVERNOR MABRY:

Any effort to get together on the mechanics of this thing?

MR. GIRAND:

This proposed matter just came up last night. We only think it has a tendency to take the market away from the processor.

COMMISSIONER MILES:

Any other persons to make a statement? Any other producers?

MR. J. O. SETH:

I have a telegram from the Stanolind which agrees with these regulations as modified by operators' committee. They suggest one addition, the following: That the application be made to and approved by the Commission before moving or processing any mass storage tank bottom.

JUDGE SETH (Cont'd) (Representing Stanolind Oil Company)

They have set out suggestions in this telegram as follows:

- "1. Devine tank bottoms as two percent or greater basic sediment and water limited to the volume below the tank pipeline outlet.
- "2. Application be made and approved by Commission before moving or processing any lease storage tank bottom. Application should give all information as to gauges, volume, average basic sediment content by shake out.
- "3. The volume of oil contained in any tank bottom as shown by above test should be charged against well or wells allowable producing into that tank."

I take what the Stanolind means is to be assured that check-out test be made before the material is removed. About the same that permit should be obtained from an official of the Commission before any of the oil is processed or sold. They agree to the combination of the two.

MR. FRASIER:

I did not quite understand your question whether the emulsion sold did you have in mind if an operator called on a processor to clean a tank and he gets it, won't there be a difference in the price for that sort of tank bottom cleaning than another operator says he wants 25¢ a barrel for this - aren't you paying for that by giving him the recoverable oil out of that?

JUDGE SETH:

It could be since there is a market for it.

MR. FRASIER:

The market will be as soon as it is processed.

JUDGE SETH:

Many are not asking tank cleaners to go out and carry the oil off. That is evidence some of it will be used on roads, etc.

MR. FRASIER:

There are certain tank cleaning concerns that have no rectifying plant. You as a processor cannot come along and say I won't do it for \$2.50 and you are giving him \$7.50 for that recoverable oil - you would freeze out the other tank bottom cleaner?

MR. GIRAND:

That is right.

COMMISSIONER MILES:

Suppose they would freeze out the other tank cleaner what effect would that have?

MR. FAMARISS:

In my own mind we immediately, in effect, sell our emulsion whether we state or not.

MR. GRAHAM:

In other words, the price of the service will be the value of the oil.

MR. FAMARISS:

MR. FAMARISS:

The service charge less the value of the oil.

MR. GIRAND:

By the same token what few tank cleaning outfits we have, are being able to keep busy. The managers will have the tank cleaners come in for their own use.

COMMISSIONER MILES:

The only point I am interested in is the recoverable oil. I don't know what else I would be interested in except the procedure in which it could be done. That is the thing I am interested in is the amount of recoverable oil, How would they go about it.

Maybe it is a matter to be considered by the recovery of oil - I think it is the principal thing to consider, in my opinion.

GOVERNOR MABRY:

The waste is not great but nevertheless there is some and there is no objection to it being processed. You are talking about the mechanics? We are interested in seeing recovered any of the waste - we do not like this oil to go to waste. The processors and proposed processors should be able to work out some formula and on the principal whether it is large or small - someone should get together, and as you say, this question has just arisen a short time ago.

MR. GIRAND:

The orders proposed are wide open and remain open subject to amendment and change at anytime after some experience. What we seek here is to get something started then if it doesn't work we will try to meet on that. I believe we can get together with the operators on the matter which has arisen here this morning. It occurs to me the emulsion purchased by the processor and in turn that emulsion charged back percentage-wise the marketing will be concluded through to the extent we will only have marginal wells - we could procure some. No operator is going to charge back 25¢ per barrel emulsion against his \$1.80 or \$1.90 oil when he has a well that will make his full allowable. It will go to the benefit of the producer to burn his tank bottoms, that is reasonable and logical.

MR. FAMARISS:

The original petition in this case calls for a reclamation permit. I would like to move the Commission that they strike out in my Order #726, Case #104 the qualified agents or waste or substance and any indication thereof that he means quantities of emulsion exist, it is not true.

The testimony of Case #104 will indicate certain given figures of quantities which were factually compiled in another state where records existed.

MR. FAMARISS (Cont'd)

They, of course, are subject to error; but virtually the fact that the emulsions percentage-wise are insignificant, I think there is ample proof that there is an entry into the reclamation field for a small operator. The quantities as represented are not economically recoverable probably, but the processor by in mass accumulation collected to a central location would represent an economical formula. I am sorry about the mis-impression made in that case, I think it is two schools of thought rather than a positive statement. I would like to add something additional - some additional information regarding charge back of oil to allowables. The information given here is not allegations but theories - it is my personal opinion that charge back to allowable will automatically remove that emulsion from the market as a possible source for reclamation. The reason I make that statement is that in the original Case #104 I made the statement the maximum recovery from tank bottoms would be 50% pipeline oil. I think the processors will back me in that my 50% is an optimistic figure. I propose to pay 25¢ per barrel for this emulsion, if it were 50% recovery that would mean the oil has a market value of 50¢ per barrel, it is not quite conceivable to me although it may happen. The producer would take a choice of 50¢ market against \$1.80 - in that choice it isn't conceivable to me to encourage destruction. If you can destroy 50¢ products for recoverable. I believe Mr. Willig of the Texas Company made the statement it was a check against reclamation operation, that may be the motivate reason for the allowable charge back suggestion. Frankly, Gentlemen, the processors suggested that they be required to post with the Commission a \$25,000.00 bond pursuant upon their compliance with the rules and regulations of this Commission. I believe your well drilling bond amounts to \$20,000.00 - my original proposal was \$50,000.00. The idea of that was the Commission having no substantial police force the Bonding Company would be doing the character screening for those people; therefore, the chance of an unscrupulous operator entering the reclamation business would be minimized. I offered that in lieu of the restrictive regulations that exist in our border states, it was my hope the bond would do that instead of tank cleaning permits, etc., in which we have all had sufficient experience.

The charge back on the allowable is only offered as a check on the very smallest quantities of emulsion available. No physical check has been suggested for the large volume of emulsion available. In other words, you suggested a regulation here that seeks to control the smallest quantity of available emulsion and will leave the rest of it open for speculation. The operators do have a prerogative of using their emulsion for whatever they wish to put it to, I don't think they should be restricted. When emulsions occur beyond their needs it would be nice for a reclamation plant to get it because some of it can be recovered. They are going to take care of their properties first and all I am interested in are those excess over their requirements; I do not believe any procedure has been set down by the Commission as to how this oil will be accounted for. I would like to suggest that the reclamation or processor upon picking up any volume of emulsion - if it is a tank bottom I think he should take a top gauge and bottom gauge and tank gauge, this will reveal the amount of emulsion available between your two gauges. When the oil is removed to the reclamation plant and treated we hope there is an amount of oil that will meet pipeline specifications. It would be my suggestion when that authority is asked that C-110 be supplemented by these pick-up tickets showing where every barrel of emulsion came from that has resulted in the recovery of this pipeline oil. The oil check would be the pipeline running the oil - would have to conform to C-110. The bonding power would be from tank to tank - to run oil regularly he could have a stub, a very sufficient check on where that came from, what he did with it and who you gave it to. At the present time I know of no tank company that has made any emulsions available. There is a claim and royalty obligation existing over those tank bottoms. So far as I know, I personally am not able to handle any tank bottoms, and until I am entitled I don't want it running through my processing station.



COMMISSIONER MILES:

Anybody have any questions to ask Mr. Famariss?

I want to clarify a statement - when he said he was interested in whether or not there was a recovery of oil - I will be interested in the rules and regulations establishing the processing of that oil - I am not sure I understand from the companies who testified, I believe they testified they would have some process of recovery - Is that right Mr. Willig?

MR. WILLIG:

Yes, sir. We have what we term heaters - treater circulating pumps on our leases. The oil is processed so it will not process in tank bottoms. Eventually you do have tank bottoms that has to be treated.

MR. SPURRIER:

I would like to ask a question - it seems in addition to Governor Miles' statement there is a question of whether a tank cleaner can legally get title to the recoverable oil in a tank bottom in any other manner excepting that he shall pay a royalty to the royalty owner. Somebody should pay that; I would like to have anyone answer that question. It seems to me we have arrived at several conclusions, but this is the one thing apparently controversial. The operators want the allowable charged back and the processors do not - can they obtain that without paying a royalty?

MR. GIRAND:

The processor can but the operator may be required to pay royalty. There is no market for this - where there is no market of products they have nothing to sell.

MR. WILLIG:

From a practical operating standpoint the suggestion has been made by the operators that the A.P.I. test be used on tank bottoms; that would give an accounting against the lease barrel for barrel - the oil determined in a manner that has been used for the rest of oil sold from that lease. The operator has no oil, he pays exactly the same, it isn't a question of the value of the oil - it might cost the operator money to get rid of the bottoms. That oil is accounted for it it is charged back to the allowable of the wells, the lease from which it came.

MR. SPURRIER:

Then it seems to me that it is a question of conservation if the producing operator is going to conserve the recoverable oil in the tank bottoms or because it can be recovered if he is going to return it to somebody who can recover that recoverable oil. Mr. Famariss might give you 25¢ per barrel for the recoverable and Hardin-Houston might or might not pay anything, but it is an operation perhaps that the operator would have to suffer to see that the oil is conserved if possible. I am not intimating the operator is burning oil that can be recovered.

MR. FAMARISS:

I would say there is no objection whatsoever on my part on allowable charge-back - if there was some assurance the product would be made available to the processor and destroyed by the difference of market value of those items. My statements were made on the belief that the low money value would cause the product to be removed from the market.

JUDGE SETH:

I want to make a suggestion in aid of conservation of the reclamation of this waste material - wouldn't it be possible to set up a special allowable for the reclamation of this material?

GOVERNOR MABRY:

I thought it might be necessary to adjust the conservation of this emulsion - you would have to have some compulsory directive to the operator if it is to his advantage to not have that oil processed, then charged as allowable it would have to be a patriotic duty unless he was required under some regulation under that processing.

MR. FAMARISS:

I think Judge Seth has a very good point, I wonder if such allowable is necessary due to the fact that the state is under producing their allowable today. It is many times over between the allowable authorized and the allowable produced. The excess would not have to be granted but could come under that - in my opinion.

MR. SPURRIER:

I am not charging the producing companies with the additional responsibility, I want the producing companies or anyone else to explain to the Commission how we can handle it otherwise. If that is necessary so these companies may conserve this production that is apparently being wasted.

GOVERNOR MABRY:

Is it something that can come within or do you have charge it against the allowable?

MR. GRAY:

As I understand in Texas they charge it back to the lease. Listening to all this discussion, not having been here last time is rather confusing. I don't know whether this could be one other solution or not - in Oklahoma we occasionally have had a Committee appointed by the Commission - would appoint Mr. Spurrier as one member, a member from the industry and a member from the treating plant.

GOVERNOR MABRY:

You still have not got a basis, maybe a member of the industry would be selected by the industry. What do you think about that?

MR. LYNCH (Phillips Petroleum Company)

I would like to make one suggestion, it might be ways to have on that Committee a representative of a pipeline company or natural gasoline plant, because the problems are a little different.

COMMISSIONER MILES:

Any small operator or industry operator - I thought they might have a problem not in common all the way through with the larger producer.

MR. KELLY - Independent Operator - Roswell, N. M.

I don't think anyone is smaller than me - only one point, I hope the Commission is not considering forcing the operator to treat tank bottoms or put that in any regulation, it would be a hardship on most producers to report his tank oil, then you have to get a permit before processing them. I think we are arguing about tank bottoms, I think market fees are going to be more than the recoverable oil. Instead of arguing about tank bottoms, I think the question is gasoline plants and pipelines.

COMMISSIONER MILES:

I would like to have some small industry producer represented.

MR. GIRAND:

I think there should be a small producer along with major.

MR. GRAY:

I believe the operators would accept an appointment by the Commission - would simplify the selecting committee.

MR. GIRAND:

We would like to make this statement - these two small producers have been up here three or four times, if something can be worked out today we would appreciate it, it is putting an unbearable legal expense on both of them.

COMMISSIONER MILES:

This a matter in which we want to take a good deal of consideration. I don't know if it is necessary to continue the hearing but we want to appoint a committee to confer with us in our final decision on the matter.

MR. GIRAND:

We are not trying to push the Commission.

COMMISSIONER MILES:

You would continue under your temporary permit. We want to appoint a committee to help us with our final decision.

MR. FAMARISS:

May I make a suggestion - the field work of the committee be held down at the producing area. If we can have our work done in the field then come to you with our findings it would be less expensive on all of us.

COMMISSIONER MILES:

That is the thought we intend to convey in our statement. We will let the Committee, after appointed, get together and one member bring in the report.

GOVERNOR MABRY:

We can then act on it.

COMMISSIONER MILES:

Anybody else want to make  
a statement before we  
adjourn.

FOSTER MORRELL:

With respect to the Federal Government, representing it, we are interested  
to the same extent you are.

COMMISSIONER MILES:

We will include you in this  
committee.

MEETING ADJOURNED.

NOTICE OF PUBLICATION  
STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

The State of New Mexico by its Oil Conservation Commission hereby gives notice, pursuant to law, of the following public hearing to be held July 29, 1943, beginning at 10:00 o'clock a.m. on said day in the City of Santa Fe, New Mexico.

STATE OF NEW MEXICO TO:

All named parties in the following case,  
and notice to the public:

Case No. 112 (continued); Case No. 104 in which Commission retained jurisdiction and upon further motion of the Oil Conservation Commission; Hardin-Houston, Hobbs, New Mexico; Walter Hearnian, Hobbs, New Mexico; Lea County Operators Committee;

In the matter of an order or orders of general application regulating tank cleaning, plants processing tank bottoms, and the reclaiming of waste oil.

Given under the seal of the Oil Conservation Commission of New Mexico at Santa Fe, New Mexico, on July 15, 1943.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

By \_\_\_\_\_  
E. E. BRUNER, Secretary

BEFORE THE OIL CONSERVATION COMMISSION OF THE  
STATE OF NEW MEXICO

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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. 104

ORDER NO. 726

THE APPLICATION OF WALTER PAMARISS, JR.,  
FOR PERMISSION TO PURCHASE AND PROCESS  
TANK BOTTOMS, PIT OIL, GASOLINE PLANT  
CATCHINGS, AND OTHER PETROLEUM PRODUCTS  
NOW CLASSIFIED AS WASTE AND TO SELL THE  
MERCHANTABLE CRUDE OIL DERIVED THEREFROM.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 10:00 A. M., July 15, 1947,  
at Santa Fe, New Mexico, before the Oil Conservation Commission of  
New Mexico, hereinafter referred to as the "Commission."

NOW, on this 9th day of September, 1947, the Commission having  
before it for consideration the testimony adduced at the hearing afore-  
said:

FINDS:

1. That due public notice having been given, the Commission  
has jurisdiction of the subject matter hereof.

2. That substantial quantities of tank bottoms, waste oil,  
pit oil, gasoline plant catchings and otherwise unmerchantable waste  
petroleum products can be processed, and pipeline oil and other valu-  
able derivatives salvaged therefrom.

3. That continued destruction of great quantities of such  
substances containing salvageable oil would constitute "surface waste"  
within the meaning of the conservation laws of New Mexico and the rules  
and regulations of the Commission.

4. That the processing, saving and marketing, of the valuable  
components of tank bottoms, waste oil, pit oil, gasoline tank catchings,  
and the valuable derivatives therefrom, having possible economic use  
of value, should be encouraged; that any merchantable or pipeline oil  
and other derivatives so reclaimed and saved, should not be charged  
against allowable production of any well.

5. That the applicant herein should be allowed to proceed with  
the installation of his salvage or reclaiming plant or plants in the  
State of New Mexico, but pending such installation and operation, no  
tank bottoms, waste oil, pit oil, gasoline plant catchings should be  
removed from the State of New Mexico until the same shall have been  
processed, and the merchantable oil and other valuable derivatives of  
the same shall have been salvaged and saved.

6. That the applicant should file with the Commission complete data with reference to the location of any processing plant or plants installed and operated by him within the State of New Mexico, giving details, specifications, and information as to the capacity thereof.

7. That a surety company bond in an amount sufficient to insure compliance with the requirements of the Commission is a reasonable precaution;

IT IS THEREFORE ORDERED:

1. That the applicant, Walter Pamariss, Jr., be and he is hereby permitted and authorized to acquire tank bottoms, waste oil, pit oil, gasoline plant catchings, and other waste petroleum products by purchasing or acquiring the same by other bona fide means or methods and to reclaim and salvage the merchantable oil or other valuable derivatives therefrom.

2. That he shall file with the Commission, at its request, complete data regarding process, capacity and the location of any processing plant or plants operated or to be operated by him within the State of New Mexico.

3. That before actual operations are begun, the permittee shall file with the Commission a surety company bond to the Oil Conservation Commission and/or State of New Mexico in the amount of \$25,000 conditioned upon faithful performance by the permittee of the provisions of this order or of any further order in this cause, observance of the applicable laws of the State of New Mexico and the rules and regulations heretofore or hereafter promulgated by the Commission and anywise applicable.

4. That the permittee shall file with the Commission such reports as may be required by the Oil Conservation Commission; such reports to show in detail the date of acquisition and from whom, the origin, quantity, and test percentages of such tank bottoms, waste oil, pit oil, gasoline plant catchings, acquired by this permittee; such reports to be executed both by this permittee and by the respective sellers thereof; and provided further that this permittee shall file monthly reports with the Commission showing the day by day recovery of marketable oil and other valuable derivatives reclaimed and saved.

5. That the permittee herein shall, before beginning operations file with the Commission a statement under oath that in event he fails or refuses to furnish the Commission with any information required by this order or any further order of the Commission, or violates the laws of New Mexico or the rules and regulations of this office with respect to acquisition, processing or disposition of tank bottoms, waste oil, pit oil, gasoline plant catchings, will upon written notice to him by the Commission, pointing out such violation or infraction, to immediately cease all operations until further authorization to resume operations is granted by the Commission.

6. That this permittee shall not transport or attempt to transport by any method, any merchantable oil or any valuable waste petroleum products from his plant or plants, without authority in the nature of a C-110 duly approved by the Commission.

7. That any merchantable or pipeline oil or valuable derivatives of waste petroleum products so salvaged, reclaimed and brought into the market shall not be charged against the allowable of any well producing into tanks from which any tank bottoms, waste oil, pit oil, gasoline plant catchings may have been acquired and received by this permittee.

8. That jurisdiction in this case is hereby retained by the

Commission for the purpose of issuing any further order or orders deemed necessary by the Commission.

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

OIL CONSERVATION COMMISSION

Thomas J. Mabry  
CHAIRMAN

John E. Miles  
MEMBER

R. R. Spurrier  
SECRETARY

(S E A L)



## TANK CLEANING PERMIT

A. PIPE LINE CONNECTED TO TANK TO BE CLEANED: Date.....19.....

Name of Operator or Owner of Tank.....

Lease..... Survey..... County.....

Tank No..... Capacity..... Height.....

Gross Contents in Barrels..... Feet and Inches.....

Height of Stationary Pipe Line Connection..... Feet and Inches.....

This is to certify that the above described tank contains only the above amount of gross contents and no merchantable oil transportable by pipe line on this date. This pipe line is requesting that the above tank be cleaned of tank bottoms before another pipe line run is made from said tank.

.....  
Pipe Line Company.

By.....  
Agent or Gauger.

B. OWNER OR OPERATOR OF TANK TO BE CLEANED: Date.....19.....

Name of Owner or Operator of Tank.....

Lease..... Survey..... County.....

Tank No..... Capacity..... Height.....

Gross Contents in Barrels..... Feet and Inches.....

This is to certify that on.....19....., the.....  
Pipe Line Company requested that the above described tank be cleaned of tank bottoms before another pipe line run was made from said tank and that the tank contains only the above contents.

Date of last Tank Cleaning Permit Issued on above Tank.....19.....

Tank will be cleaned by..... and contents will be.....

.....  
Owner or Operator of Tank.

By.....  
Agent.

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 in this instrument, who after being duly sworn on oath states that he is in charge of the above listed tanks and is employed in the capacity of..... and that the permit contains no misstatement or inaccuracy and that no pertinent matter inquired about in said permit has been omitted from said permit and that said permit is a correct statement of the facts therein recited.

.....  
Signature of person making affidavit.

Sworn to and subscribed before me this the..... day of.....19.....

.....  
Notary-Public..... County, Texas.

THIS SPACE TO BE FILLED IN BY RAILROAD COMMISSION EMPLOYEE CHECKING  
ABOVE INFORMATION.

Tank No..... as described above contains..... Tank Bottoms

Not Chargeable and..... Oil Chargeable.

Date.....19..... Disposition of contents of tank bottom.....

.....  
APPROVED:.....  
Railroad Commission Agent or Employee.  
(OVER)

THIS SPACE TO BE FILLED IN ONLY IF CONTENTS OF TANK DESCRIBED ON FRONT SIDE OF THIS PERMIT ARE TO GO TO A TREATING PLANT FOR TREATING OR RECLAIMING OF TANK BOTTOMS.

C. Name of Plant.....Address.....

This is to certify that on .....19.....

Tank No.....Capacity.....Height.....

Owned or Operated by.....

Located on.....Lease.....Survey.....County.....

containing.....Feet and Inches of Tank Bottoms and oil was cleaned of said bottoms described on the front side of this permit.

The tank bottoms were transported to.....Plant.....

Located on.....Lease.....Survey.....County.....

This is to certify that no crude oil or product of crude oil was mixed with or substituted for the tank contents as described on the front side of this permit; that no rule or regulation of the Railroad Commission of Texas was violated in the cleaning of the tank transportation of contents or treating of said contents of said tank.

.....Treating Plant.

By.....Agent.

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 this instrument, who, after being duly sworn, states that he is the person in charge of the treating plant named above

and is employed in the capacity of.....and that the above report contains no misstatement or inaccuracy, and that no pertinent matter inquired about in said report has been omitted from said report and that said report is a correct statement of the facts therein related.

.....Signature of person making affidavit.

Sworn to and subscribed before me this the.....day of.....19.....

.....Notary Public.....County, Texas.

#### INSTRUCTION:

This report is to be filled out completely in quadruplicate. Field office of Commission to retain one copy; Operator or Owner of Tank to retain one copy; Treating Plant to retain two copies, one of which will be executed by such plant and filed with the field office of the Commission within 48 hours after tank is cleaned, and one copy retained in files.