

Case No.

104

Application, Transcript,
Small Exhibits, Etc.

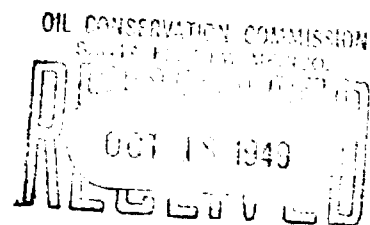
NEW MEXICO
OIL CONSERVATION COMMISSION

GOVERNOR THOMAS J. MABRY
CHAIRMAN
LAND COMMISSIONER GUY SHEPARD
MEMBER
STATE GEOLOGIST R. R. SPURRIER
SECRETARY AND DIRECTOR



P. O. BOX 871
SANTA FE, NEW MEXICO

Box 1545
Hobbs, New Mexico
October 17, 1949



Mr. R. R. Spurrier, Director
Oil Conservation Commission
Box 871
Santa Fe, New Mexico

Dear Mr. Spurrier:

In reply to your letter of October 4th, regarding the Famariss Plant I have inspected the tank cleaning plant and find it to be in the same condition as was approved in 1948.

Please excuse the delay in reporting. I hope there is no harm done.

Very truly yours,

Reg. C. Yarkowich
Oil & Gas Inspector

ROY:cg

Check the class of service desired; otherwise this message will be sent at the full rate	
FULL RATE TELEGRAM	SERIAL
NIGHT LETTER	NIGHT LETTER

WESTERN UNION

JOSEPH L. EGAN, PRESIDENT

Check the class of service desired; otherwise this message will be sent at the full rate	
FULL RATE	DEFERRED
CODE	NIGHT LETTER

NO. WDS.-CL. OF SVC.	PD. OR COLL.	CASH NO.	CHARGE TO THE ACCOUNT OF	TIME FILED
			OIL CONSERVATION COMMISSION	

Send the following message, subject to the terms on back hereof, which are hereby agreed to

SANTA FE, N. M. OCTOBER 17, 1949

MR. ROY YARBROUGE
OIL CONSERVATION COMMISSION
HOBBS, NEW MEXICO

WHERE IS INSPECTION REPORT AND APPROVAL FOR FAMARKIS PERMIT
AS PER REQUEST?

OIL CONSERVATION COMMISSION
R. R. SPURRIER

telephoned 11:45 a.m. 10-17-49

ALL MESSAGES TAKEN BY THIS COMPANY ARE SUBJECT TO THE FOLLOWING TERMS:

To guard against mistakes or delay, the sender of a message should order it repeated, that is, telegraph sent to the originating office for comparison. For this, one-half the unreported message rate is charged in addition. Unless otherwise indicated on its face, this is an unreported message and paid for as such, in consideration whereof it is agreed between the sender of the message and this Company as follows:

1. The Company shall not be liable for mistakes or delays in the transmission or delivery, or for non-delivery, of any message received for transmission at the unreported-message rate beyond the sum of five thousand dollars; nor for mistakes or delays in the transmission or delivery, or for non-delivery, of any message received for transmission at the repeated-message rate beyond the sum of five thousand dollars, unless specially valued; nor in any case for delays arising from unavoidable interruption in the working of its lines.

2. In any event the Company shall not be liable for damages for mistakes or delays in the transmission or delivery, or for the non-delivery, of any message, whether caused by the negligence of its servants or otherwise, beyond the actual loss, not exceeding in any event the sum of five thousand dollars, at which amount the sender of each message represents that the message is valued, unless a greater value is stated in writing by the sender thereof at the time the message is tendered for transmission, and unless the repeated-message rate is paid or agreed to be paid, and an additional charge equal to one-tenth of one per cent of the amount by which such valuation shall exceed five thousand dollars.

3. The Company is hereby made the agent of the sender, without liability, to forward this message over the lines of any other company when necessary to reach its destination.

4. Except as otherwise indicated in connection with the listing of individual places in the filed tariffs of the Company, the amount paid for the transmission of a domestic telegram or an incoming cable or radio message covers its delivery within the following limits: in cities or towns of 5,000 or more inhabitants where the Company has an office which, as shown by the filed tariffs of the Company, is not operated through the agency of a railroad company, within two miles of any open main or branch office of the Company; in cities or towns of 5,000 or more inhabitants where, as shown by the filed tariffs of the Company, the telegraph service is performed through the agency of a railroad company, within one mile of the telegraph office; in cities or towns of less than 5,000 inhabitants in which an office of the Company is located, within one-half mile of the telegraph office. Beyond the limits above specified the Company does not undertake to make delivery, but will endeavor to arrange for delivery as the agent of the sender, with the understanding that the sender authorizes the collection of any additional charge from the addressee and agrees to pay such additional charge if it is not collected from the addressee. There will be no additional charge for deliveries made by telephone within the corporate limits of any city or town in which an office of the Company is located.

5. No responsibility attaches to this Company concerning messages until the same are accepted at one of its transmitting offices; and if a message is sent to such office by one of the Company's messengers, he acts for that purpose as the agent of the sender.

6. The Company will not be liable for damages or statutory penalties in the case of any message except an intrastate message in Texas where the claim is not presented in writing to the Company within sixty days after the message is filed with the Company for transmission, and in the case of an intrastate message in Texas the Company will not be liable for damages or statutory penalties where the claim is not presented in writing to the Company within ninety-five days after the cause of action, if any, shall have accrued; provided, however, that neither of these conditions shall apply to claims for damages or overcharges within the purview of Section 415 of the Communications Act of 1934.

7. It is agreed that in any action by the Company to recover the tolls for any message or messages the prompt and correct transmission and delivery thereof shall be presumed, subject to rebuttal by competent evidence.

8. Special terms governing the transmission of messages according to their classes, as enumerated below, shall apply to messages in each of such respective classes in addition to all the foregoing terms.

9. No employee of the Company is authorized to vary the foregoing.

10-42

CLASSES OF SERVICE

DOMESTIC SERVICES

FULL RATE TELEGRAMS

A full rate expedited service.

DAY LETTERS

A deferred service at lower than the full rate.

SERIALS

Messages in sections during the same day.

NIGHT LETTERS

Accepted up to 2 A.M. for delivery not earlier than the following morning at rates substantially lower than the full rate telegram or day letter rates.

CABLE SERVICES

FULL RATE CABLES

The standard fast service at full rates. May be written in any language that can be expressed in Roman letters or in cipher.

CODE (CDE)

A fast message service consisting of words formed without contraction or restriction, counted at 5 characters per word. Minimum charge of 5 words applies.

DEFERREDS (LC)

Plain language messages, subject to being deferred in favor of full rate and CDE messages.

NIGHT LETTERS (NLT)

Overnight plain-language messages. Minimum charge of 25 words applies.

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

TELEPHONES: 54 & 854
P. O. Box 1326

NEAL & GIRAND
LAWYERS
NEAL BUILDING
HOBBS, NEW MEXICO

October 10, 1949

My Maham

Oil Conservation Commission,
Box 871,
Santa Fe, New Mexico.
Attention: R. R. Spurrier.

Dear Dick:

We are here enclosing a letter from the insurance company, certifying to the bond of Walter Famariss in re: his application for renewal of permit as a tank bottom processor.

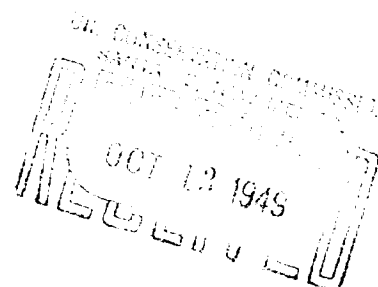
With this letter in your file and the report from Roy Yarbrough, this permit should be ready for renewal.

Very truly yours,

NEAL & GIRAND,

BY: *W. D. Girand, Jr.*

G/vs
Encl.



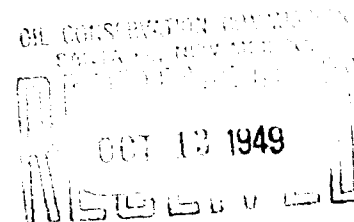
BOB DANIELS & SONS

BOB - BILL - JACK
INSURANCE

Telephone 511

105-107 North Turner Street
HOBBS, NEW MEXICO

October 10, 1949



Oil Conservation Commission
State of New Mexico
Santa Fe, New Mexico

Re: Indemnity Bond to State of New Mexico
Principal - Walter Famariss, Jr.
Bond No. SY-151760

Gentlemen:

This firm has in effect Indemnity Bond to the State of New Mexico that has been in effect since the 14th day of October of 1948. Please let this letter act as evidence that this bond will remain in full force and effect, having an automatic renewal clause until such time as it is Mr. Famariss' desire to be released of liability under the bond or until such time as it is your desire to withdraw this provision of Mr. Famariss' operations.

Very truly yours,

BOB DANIELS & SONS, INC.

R. W. Daniels, Jr.
R. W. Daniels, Jr. President

RWD/jr



Twin City Fire Insurance Co.

Check the class of service desired; otherwise this message will be sent as a full-rate telegram.	
DAY LETTER	NIGHT LETTER

WESTERN UNION

1206

Check the class of service desired; otherwise this message will be sent at the full rate.	
FULL RATE	DEFERRED
CODE	NIGHT LETTER

JOSEPH L. EGAN, PRESIDENT

NO. OF CH. OF SVC.	PD. OR COLL.	CASH NO.	CHARGE TO THE ACCOUNT OF	TIME FILED
			OIL CONSERVATION COMMISSION	

Send following message, subject to the terms on back hereof, which are hereby agreed to

SANTA FE, N. M.

OCTOBER 15, 1949

NEAL AND GIRARD, LAWYERS
MOROS, NEW MEXICO

FAMARISS PERMIT HAS BEEN RENEWED AS OF OCTOBER 15.

R. R. SPURRIER
OIL CONSERVATION COMMISSION

ALL MESSAGES TAKEN BY THIS COMPANY ARE SUBJECT TO THE FOLLOWING TERMS.

To guard against mistakes or delays, the sender of a message should order it repeated, that is, telegraphed back to the originating office for comparison. For this, one-half the repeated message rate is charged in addition. Unless otherwise indicated on its face, this is an unreported message and paid for as such, in consideration whereof it is agreed between the sender of the message and this Company as follows:

1. The Company shall not be liable for mistakes or delays in the transmission or delivery, or for non-delivery, of any message received for transmission at the unreported-message rate beyond the sum of five hundred dollars; nor for mistakes or delays in the transmission or delivery, or for non-delivery, of any message received for transmission at the repeated-message rate beyond the sum of five thousand dollars, unless specially valued; nor in any case for delays arising from unavoidable interruption in the working of its lines.

2. In any event the Company shall not be liable for damages for mistakes or delays in the transmission or delivery, or for the non-delivery, of any message, whether caused by the negligence of its servants or otherwise, beyond the actual loss, not exceeding in any event the sum of five thousand dollars, at which amount the sender of each message represents that the message is valued, unless a greater value is stated in writing by the sender thereof at the time the message is tendered for transmission, and unless the repeated-message rate is paid or agreed to be paid, and an additional charge equal to one-tenth of one per cent of the amount by which such valuation shall exceed five thousand dollars.

3. The Company is hereby made the agent of the sender, without liability, to forward this message over the lines of any other company when necessary to reach its destination.

4. Except as otherwise indicated in connection with the listing of individual places in the filed tariffs of the Company, the amount paid for the transmission of a domestic telegram or an incoming cable or radio message covers its delivery within the following limits: in cities or towns of 5,000 or more inhabitants where the Company has an office which, as shown by the filed tariffs of the Company, is not operated through the agency of a railroad company, within two miles of any open main or branch office of the Company; in cities or towns of 5,000 or more inhabitants where, as shown by the filed tariffs of the Company, the telegraph service is performed through the agency of a railroad company, within one mile of the telegraph office; in cities or towns of less than 5,000 inhabitants in which an office of the Company is located, within one-half mile of the telegraph office. Beyond the limits above specified the Company does not undertake to make delivery, but will endeavor to arrange for delivery as the agent of the sender, with the understanding that the sender authorizes the collection of any additional charge from the addressee and agrees to pay such additional charge if it is not collected from the addressee. There will be no additional charge for deliveries made by telephone within the corporate limits of any city or town in which an office of the Company is located.

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7. It is agreed that in any action by the Company to recover the tolls for any message or messages the prompt and correct transmission and delivery thereof shall be presumed, subject to rebuttal by competent evidence.

8. Special terms governing the transmission of messages according to their classes, as enumerated below, shall apply to messages in each of such respective classes in addition to all the foregoing terms.

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10-42

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CABLE SERVICES

FULL RATE CABLES

The standard fast service at full rates. May be written in any language that can be expressed in Roman letters or in cipher.

CODE (CDE)

A fast message service consisting of words formed without condition or restriction, counted at 5 characters per word. Minimum charge of 3 words applies.

DEFERREDS (LC)

Plain language messages, subject to being deferred in favor of full rate and CDE messages.

NIGHT LETTERS (NLT)

Overnight plain-language messages. Minimum charge of 25 words applies.

CLASS OF SERVICE
This is a full-rate Telegram or Cablegram unless its deferred character is indicated by a suitable symbol above or preceding the address.

WESTERN UNION

W. P. MARSHALL, PRESIDENT

1201

SYMBOLS	
DL	Day Letter
NL	Night Letter
LC	Deferred Cable
NLT	Cable Night Letter
	Ship Radiogram

The filing time shown in the date line on telegrams and day letters is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination.

LA45 SSF127

LHBA040 PD=HOBBS NMEX 17 1009A=

R R SPURRIER=

OIL CONSERVATION COMMISSION SANTA FE NMEX=

RE WALTER FAMARISS JR PERMIT, HOLDING OIL AWAITING RENEWAL OF PERMIT. PLEASE ADVISE BY WIRE WHETHER PERMIT HAS BEEN RENEWED=

NEAL AND GIRAND LAWYERS=

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

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

JOSEPH L. EGAN
PRESIDENT

1201

SYMBOLS	
DL	Day Letter
NL	Night Letter
LC	Deferred Cable
NLT	Cable Night Letter
	Ship Radiogram

The filing time shown in the date line on telegrams and day letters is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination.

DVA109 PD=GK DALLAS TEX 27 1134A=

NEW MEXICO OIL CONSERVATION COMMISSION=

DEFERRED LEAD IN JULY 22 CASES 100, 110 AND 12 APPLICATION FOR GENERAL ORDER REGULATING TANK CLEANING, PLANTS PROCESSING TANK BOTTOMS AND RECLAIMING WASTE OIL THIS COMPANY APPROVES AND RECOMMENDS ADOPTION OF ORDER APPROVED BY ALL LEAD COUNTY OPERATIONS BY LEAD COUNTY BOARD OF COMMISSIONERS BY AND LETTER OF JULY 17 1944

NEW MEXICO OIL CONSERVATION COMMISSION

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

AFFIDAVIT OF PUBLICATION

State of New Mexico,
County of Lea

I, Robert L. Summers

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 _____

One Issue _____ weeks.

beginning with the issue dated _____

July 18, 19 48.

and ending with the issue dated _____

Robert L. Summers
Publisher.

Sworn and subscribed to before me

this 20th day of _____

July 19 48.

Wm. James
Notary Public.

My commission expires _____

January 7, 19 51.
(Seal)

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

LEGAL NOTICE

NOTICE OF HEARING

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

The State of New Mexico, by its Oil Conservation Commission, hereby gives notice 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. 110 (Lea County); Case No. 104 in which Commission retained jurisdiction upon further motion of the Oil Conservation Commission, Hobbs-Houston, Hobbs, New Mexico; and Panhandle, Hobbs, New Mexico; Lea County Operators Committee.

In the matter of an order or orders of general and special regulation and charging 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, 1948.

STATE OF NEW MEXICO
OIL CONSERVATION
COMMISSION (Seal)
By R. E. SPURRIER, Secretary

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

July 16, 1948

C
O
P
Y

Mr. J. O. Seth
Seth and Montgomery
Santa Fe, New Mexico

RE: Continuance of Case No. 104

Dear Sir:

This is to advise you that the above captioned case in the matter of the application of Walter Fumariss, Jr. for permission to purchase and process waste oil will be heard at 10:00 o'clock a.m., July 22, 1948 in the House of Representatives.

Very truly yours,

GEORGE A. GRAHAM, Attorney

ILLEGIBLE

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

July 16, 1948

C
O
P
Y

SANTA FE NEW MEXICAN
Santa Fe, New Mexico

RE: Notice of Publication - Cases 110
and 124

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

~~CONFIDENTIAL~~
ILLEGIBLE

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 1/4 weeks.

beginning with the issue dated _____

July 1, 19 47

and ending with the issue dated _____

July 1, 19 47

Robert L. Summers
Publisher.

Sworn and subscribed to before me

this 1st day of _____

July 1947

Nellie Jones
Notary Public.

My commission expires _____

Jan., 7, 19 51
(Seal)

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

LEGAL NOTICES

July 1, 1947

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

The Oil Conservation Commission of New Mexico pursuant to law, hereby gives notice of the following hearings to be held July 31, 1947, beginning at 10:00 A. M. on said day at Santa Fe, New Mexico:

CASE 104

In the matter of the application of Wm. F. Farnham 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.

CASE 105

In the matter of the application of the Farhandle Carbon Company, Inc. for an extension for ten years of its permit heretofore granted November 27, 1944 respecting use of gas and/or flare gas in the manufacture of carbon black.

Given under the seal of the Oil Conservation Commission of New Mexico, at Santa Fe, New Mexico on June 27, 1947.

**OIL CONSERVATION
COMMISSION**

BY: E. R. Spurrier
Secretary

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

June 26, 1947

Hobbs Daily News-Sun
Hobbs, New Mexico

RE: Cases No. 104 and 105 - Notice For
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.

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

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

June 26, 1947

The Roswell Dispatch
Roswell, New Mexico

RE: Cases Nos. 100 and 104 - Notice
For 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.

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

Very truly yours,

GEORGE A. GRAHAM
Attorney,
Oil Conservation Commission

CAG:bsp

C
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Y

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

June 26, 1947

The Artesia Advocate
Artesia, New Mexico

RE: Cases 103, 104, 106, 107 and 108 -
Notice For 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.

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

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

June 25, 1947

Mr. J. O. Seth
Attorney At Law
111 San Francisco St.,
Santa Fe, New Mexico

RE: Cases 100, 101, 102 and 104

Dear Mr. Seth:

This is to advise you that Cases No. 100, 101, 102 in which the American Employers Insurance Company is the petitioner, and Case 104 wherein Walter Famarise is petitioner, have been set by the Commission beginning at 10:00 O'clock A.M. on the 15th day of July in the Coronado Room, La Ponda Hotel, Santa Fe, New Mexico.

Very truly yours,

REDMON A. GRAHAM
Attorney,
Oil Conservation Commission

GAG:bap

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NEW MEXICO
OIL CONSERVATION COMMISSION

GOVERNOR THOMAS J. MABRY
CHAIRMAN
LAND COMMISSIONER JOHN E. MILES
MEMBER
STATE GEOLOGIST R. R. SPURRIER
SECRETARY AND DIRECTOR



Santa Fe, New Mexico

P. O. Box 871
November 21, 1947

Mr. R. R. Spurrier
Oil Conservation Commission
Santa Fe, New Mexico

Dear Mr. Spurrier:

Mrs. Wistrand called my attention to Colonel Thompson's letter of November 13. Knowing that Mr. Miles expected to be under the doctor's care for a few days, I took the liberty of taking the letter and Texas rules over for a conference.

After reading Colonel Thompson's letter carefully, it was Mr. Miles' thought that this would be an excellent chance for the Commission to observe a Texas proceeding. He noted that the meeting was at Midland on December 10. It occurred to him that you and some of the rest of us, including Messrs. Yarbrough and Macey, might arrange to be there. He thought possibly that nothing officially could be done, but by private conference at least begin a sort of cooperative effort that would eventually be of great benefit, both to our operators and the Commission as well as Texas officials.

We did not go extensively into a comparison of the existing Texas rules and our proposed rules. We can do this at your convenience.

Very truly yours,

George A. Graham
GEORGE A. GRAHAM

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.,

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 21

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

(A) "Person" shall mean any natural persons, corporations, associations, partnerships, receivers, trustees, agents, 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 tank substance containing 2% or greater basic sediment and water listed 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. It is such oil as used by treat a plant in any application for sale.

(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.

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October 20, 1947

Honorable Thomas J. Mabry
Governor, State of New Mexico
Santa Fe, New Mexico

Dear Governor Mabry:

Enclosed please find list of names appointed
to the advisory committee of the Oil Conservation
Commission.

These names have been agreed upon by
Governor Viles and myself as per your instructions.

Respectfully,

R. R. SPURRIER

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October 21, 1947

Honorable John E. Miles
Commissioner of Public Lands
Santa Fe, New Mexico

Dear Governor Miles:

Enclosed please find list of names appointed
to the advisory committee of the Oil Conservation
Commission.

Respectfully,

R. R. SPURRIER

P. O. Box 871
October 20, 1947

Texas-New Mexico Pipeline Co.
Midland, Texas

Gentlemen:

As directed by the Oil Conservation Commission, you are hereby notified of your appointment to an advisory committee to the Commission in the matter of Cases 104 and 110.

This committee has been appointed as suggested by members of the industry at a Hearing held in Santa Fe on the 15 October. At this time it was suggested that one member from a major company, one member from an independent company, one member from a pipeline, etc., should be appointed. The Commission has endeavored to do exactly as suggested, and if anyone has been inadvertently omitted, the Commission will appreciate very much being advised. The names of the other members of the Committee are hereby furnished to you:

Major - Shell Oil Company, Incorporated, Midland, Tex.
Independent - John M. Kelly, Roswell, N. M.
Gasoline Plant - Phillips Petroleum Co., Bartlesville
Refinery - N. M. Asphalt & Refining, Artesia, N. M.
Petitioners - Walter Famariss, Jr. and W. D. Girard, Hobbs
Foster Morrell - U.S.G.S., Roswell, N. M.
Glenn Staley - Lea County Operators Committee, Hobbs

It is suggested that the committee select a chairman and meet as soon as possible to expedite the issuance of rules and regulations in this matter.

Yours very truly,

J. H. PHELPS

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P. O. Box 371
October 20, 1947

Mr. Glenn Staley
Lea County Operators Committee
Hobbs, New Mexico

Dear Sir:

As directed by the Oil Conservation Commission, you are hereby notified of your appointment to an advisory committee to the Commission in the matter of Cases 104 and 110.

This committee has been appointed as suggested by members of the industry at a Hearing held in Santa Fe on the 15 October. At this time it was suggested that one member from a major company, one member from an independent company, one member from a pipeline, etc., should be appointed. The Commission has endeavored to do exactly as suggested, and if anyone has been inadvertently omitted, the Commission will appreciate being advised very much. The names of the other members of the Committee are hereby furnished to you:

Pipeline - Texas-New Mexico Pipeline Co., Midland
Major - Shell Oil Company, Incorporated, Midland
Independent - John W. Kelly, Roswell, N. M.
Gasoline Plant - Phillips Petroleum Co., Bartlesville
Refinery - W. W. Asphalt & Refining, Artesia, N. M.
Petitioners - Walter Farniss, Jr. and E. L. Girard, Hobbs
Foster Morrell & S. S. C., Roswell, N. M.

It is suggested that the committee select a chairman and meet as soon as possible to expedite the issuance of rules and regulations in this matter.

Yours very truly,

J. W. COOPER

P. O. Box 371
October 20, 1947

W. D. Girard, Attorney
Mr. Walter Hanzarick, Jr.
Hobbs, New Mexico

Dear Sir:

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The Committee has been appointed as suggested by members of the industry at a hearing held in Santa Fe on the 15 October. At this time it was suggested that one member from a major company, one member from an independent company, one member from a pipeline, etc., should be appointed. The Commission has endeavored to do exactly as suggested, and if anyone has been inadvertently omitted, the Commission will appreciate being advised very much. The names of the other members of the Committee are hereby furnished to you:

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Major - Shell Oil Company, Incorporated, Midland
Gasoline Plant - Phillips Petroleum Co., Bartlesville
Independent - John W. Kelly, Roswell, N. M.
Refinery - W. H. Asphalt Refining Co., Artesia
Lescher Merrell - W. H. Kelly, Roswell, N. M.
Glenn Staley - Lea County Operators Committee, Hobbs

It is suggested that the committee select a chairman and meet as soon as possible to expedite the issuance of rules and regulations in this matter.

Yours very truly,

J. H. GILCHRIST

P. O. Box 371
October 20, 1947

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Mr. Foster Morrell
U. S. Geological Survey
Roswell, New Mexico

Dear Sir:

As directed by the Oil Conservation Commission, you are hereby notified of your appointment to an advisory committee to the Commission in the matter of Cases 104 and 110.

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Major - Shell Oil Company, Incorporated, Midland
Gasoline Plant - Phillips Petroleum Co., Bartlesville
Independent - John W. Kelly, Roswell, N. M.
Refinery - W. M. Asphalt & Refining Co., Artesia
Petitioners - Walter Farniss, Jr., and W. L. Girard, Hobbs
Glenn Staley - Lea County Operators Committee, Hobbs

It is suggested that the committee select a chairman and meet as soon as possible to expedite the issuance of rules and regulations in this matter.

Yours very truly,

W. L. GUNTER

P. O. Box 371
October 20, 1947

Mr. Claude Withers
T. W. Asphalt & Refining Co.
Artesia, New Mexico

Dear Sir:

As directed by the Oil Conservation Commission, you are hereby notified of your appointment to an advisory committee to the Commission in the matter of Cases 104 and 110.

The Committee has been appointed as suggested by members of the industry at a Hearing held in Santa Fe on the 15 October. At this time it was suggested that one member from a major company, one member from an independent company, one member from a pipeline, etc., should be appointed. The Commission has endeavored to do exactly as suggested, and if anyone has been inadvertently omitted, the Commission will appreciate being advised very much. The names of the other members of the Committee are hereby furnished to you:

Independent - John M. Kelly, Roswell, N. M.
Pipeline Co. - Texas-New Mexico Pipeline Co., Midland
Major - Shell Oil Company, Incorporated, Midland
Gasoline Plant - Phillips Petroleum Co., Bartlesville
Petitioners - Walter Tomariss, Jr. and C. L. Girard, Hobbs
Foster Morrell - U.S.G.S., Roswell, N. M.
Glenn Staley - Lea County Operators Committee, Hobbs

It is suggested that the committee select a chairman and meet as soon as possible to expedite the issuance of rules and regulations in this matter.

Yours very truly,

...

P. O. Box 871
October 20, 1947

Phillips Petroleum Company
Bartlesville, Oklahoma

Gentlemen:

As directed by the Oil Conservation Commission, you are hereby notified of your appointment to an advisory committee to the Commission in the matter of Cases 104 and 110.

The Committee has been appointed as suggested by members of the industry at a hearing held in Santa Fe on the 15 October. At this time it was suggested that one member from a major company, one member from an independent company, one member from a pipeline, etc., should be appointed. The Commission has endeavored to do exactly as suggested, and if anyone has been inadvertently omitted, the Commission will appreciate being advised very much. The names of the other members of the Committee are hereby furnished to you:

Pipeline Co. - Texas-New Mexico Pipeline Co., Midland
Major - Shell Oil Company, Incorporated, Midland
Gasoline Plant - Phillips Petroleum Co., Bartlesville
Refinery - M. W. Asphalt & Refining Co., Artesia
Petitioners - Walter Eganiss, Jr. and W. E. Girard, Hobbs
Roster Verrell - W. E. Verrell, Roswell, N. M.
Glenn Staley - Lea County Operators Committee, Hobbs

It is suggested that the committee select a chairman and meet as soon as possible to expedite the issuance of rules and regulations in this matter.

Yours very truly,

E. L. SPURGEON

P. O. Box 871
October 20, 1947

Mr. John M. Kelly
Roswell, New Mexico

Dear Mr. Kelly:

As directed by the Oil Conservation Commission, you are hereby notified of your appointment to an advisory committee to the Commission in the matter of Cases 104 and 110.

The Committee has been appointed as suggested by members of the industry at a Hearing held in Santa Fe on the 15 October. At this time it was suggested that one member from a major company, one member from an independent company, one member from a pipeline, etc., should be appointed. The Commission has endeavored to do exactly as suggested, and if anyone has been inadvertently omitted, the Commission will appreciate being advised very much. The names of the other members of the Committee are hereby furnished to you:

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Major - Shell Oil Company, Incorporated, Midland
Gasoline Plant - Phillips Petroleum Co., Bartlesville
Refinery - W. M. Asphalt & Refining Co., Artesia
Petitioners - Walter Tamariss, Jr. and L. P. Girard, Hobbs
Foster Morrell - U. S. O. O., Roswell, N. M.
Glenn Staley - Lea County Operators Committee, Hobbs

It is suggested that the committee select a chairman and meet as soon as possible to expedite the issuance of rules and regulations in this matter.

Yours very truly,

H. J. CRAMER

P. O. Box 371
October 20, 1947

Shell Oil Company, Incorporated
Midland, Texas

Gentlemen:

As directed by the Oil Conservation Commission, you are hereby notified of your appointment to an advisory committee to the Commission in the matter of Cases 104 and 110.

This committee has been appointed as suggested by members of the industry at a Hearing held in Santa Fe on the 15 October. At this time it was suggested that one member from a major company, one member from an independent company, one member from a pipeline, etc., should be appointed. The Commission has endeavored to do exactly as suggested, and if anyone has been inadvertently omitted, the Commission will appreciate very much being advised. The names of the other members of the Committee are hereby furnished to you:

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Independent - John M. Kelly, Roswell, N. M.
Gasoline Plant - Phillips Petroleum Co., Bartlesville
Refinery - M. M. Asphalt Refining, Artesia, N. M.
Petitioners - Walter Hameriss, Jr. and L. B. Girard, Hobbs
Foster Morrell - M. M. Co., Roswell, N. M.
Glenn Staley - Lea County Operators Committee, Hobbs

It is suggested that the committee select a chairman and meet as soon as possible to expedite the issuance of rules and regulations in this matter.

Yours very truly,

L. L. SPURLOCK

REPORT OF L. G. COUNTY OPERATIONS 8-3-47 TO 10-6-47
TO MARY A. STEIN, CHAIRMAN, ORDER 2726, CASE #104

The committee proposes to the operators the following statement to the Commission at the Hearing to be held in Santa Fe on October 10, 1947.

The operators have no objection to the type of order as issued in the Case 104, except as under the fact finding of "Substantial waste" and "Great Quantities".

The following data is offered as evidence that "substantial waste" and "great quantities" of waste does not exist from field gathering tanks, well completions and oil runs to pipe lines by 16 operators representing 88.5 % of total production during the first 6 months of 1947.

Estimated amount of merchantable oil drawn off in tank cleaning and pit oil averages twelve hundredths of one percent of total oil produced for period.

Next 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, working systems, circulating pumps, etc.

As the operators understand the order granting permission to operate an oil reclamation plant in the State of New Mexico, this order is acceptable to the operators, except as mentioned above, and the procedure by which the permission granted the order is considered applicable to similar cases in the future.

1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 26

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

November 12, 1947

Mr. M. C. Brunner
Shell Oil Company
P. O. Box 1457
Hoobs, New Mexico

Dear Mr. Brunner:

The Commission has received your Committee's recommendation dated November 3d in which you say your committee met on October 3d and promulgated a sample order for the Commission to use in writing general rules and regulations concerning the subject matter of cases 104 and 110.

I wish to take this opportunity to thank you and your committee for your prompt action and the advice which you have forwarded to us. I should like to have been present during your Committee meeting, but it is my experience that a member of the Commission should not be present when a matter such as this is being discussed.

The Industry Advisory Committee, in this instance, is to be highly commended and the Commission takes the opportunity to do so now.

Very truly yours,

RS:bsp

cc: Glenn Staley
Sb, Mex

BEFORE THE OIL CONSERVATION COMMISSION OF THE
STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION COMMISSION OF THE
STATE OF NEW MEXICO FOR THE PURPOSE OF CONSIDERING:

CASE NO. 104

ORDER NO. 726

THE APPLICATION OF WALTER FARRISS, 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 aforesaid:

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 valuable 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 Favariss, 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
HOLDS, NEW MEXICO
September 19, 1947

OIL CONSERVATION COMMISSION

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

P. O. Box 871
December 23, 1947

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Mr. L. W. Biddick
Samedan Oil Corporation
Ardmore, Oklahoma

Dear Sir:

This will acknowledge your letter of December 16 in which you refer to the Commission's special order regulating tank cleaning. You have recommended that the total amount secured from tank bottoms shall be charged against the allowable of the well or lease from which the oil was produced.

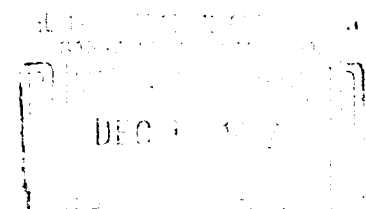
The Commission is still studying this case, and no permanent order has yet been issued. Your letter, therefore, will be made part of the record and will be considered in writing a final order.

Very truly yours,

WBS:bw

W. L. Biddick

ARDMORE, OKLAHOMA
BOX 959



December 16, 1947

"Tank bottom"

Oil Conservation Commission of New Mexico
Santa Fe, New Mexico

Attention: Mr. R. R. Spurrier,
Secretary

Gentlemen:

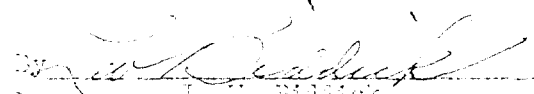
This letter has reference to the Commission's Special Order Regulating Tank Cleaning, Plants Processing Tank Bottoms and Reclaiming of Waste Oil, and Transportation of Tank Bottoms and Waste Oil issued by the Commission effective July 15, 1947.

At the time this regulation was promulgated it was our understanding that the amount of products secured from tank bottoms was to be deducted from the amount of allowable production authorized for the well or lease from which the waste oil and tank bottoms originated. It has come to our attention that Rule 2 (b) of said Special Order provides that treating plants processing tank bottoms shall be entitled to a tender authorizing the sale of products secured from such tank bottoms and that no provision is made for deducting the amount of such products from the well or lease allowables. It is our opinion that said sub-paragraph (b) of Rule 2 should be amended by adding at the end thereof a provision to the effect that "but the total amount of products secured from tank bottoms shall be deducted from the regular allowable of the well or lease from which the oil was produced which resulted in the accumulation of said tank bottoms."

We respectfully request the Commission's consideration of such an amendment.

Very truly yours,

CHRYSLER OIL CORPORATION


L. T. Bidder,
Vice-President

MAIL: 12/17

Famariss Oil and Service Company

Box 156
Hobbs, New Mexico

July 28, 1948

Should the general order regulating tank cleaning and processing plants as suggested by the Lea County Operator's Committee be adopted by the Commission, it is further suggested by Famariss Oil and Service Company that:

Order No. 726, which was issued to Walter Famariss, Jr. September 9, 1947 be amended as follows:

Under "Finding" of the Commission, paragraph 4 amend by adding the following:

". . . except as provided by Order No.

Under Order of the Commission, paragraph 7 amend by adding the following:

". . . except as provided by Order No.

By the above manner the provisions not covered by the Lea County Operator's suggested order and provided for in Order No. 726 will remain unchanged.

Walter Famariss, Jr.

Some interesting facts concerning tank bottoms are on the following pages. . . .
... reading time is less than 3 minutes.

U S E S

Unfortunately, the processing of tank bottoms in the past has been associated with the running of "hot oil." The processing of tank bottoms by Famariss Oil and Service Company is primarily for the purpose of recovering microcrystalline waxes and NOT FOR CRUDE OIL. Because of this, it is felt the following facts would be of interest.

In the October 1945 issue of World Petroleum the excerpts below appeared in an article written by R. B. Killingsworth of Socony-Vacuum Oil Company:

"The chief disadvantage of paraffin waxes (low melting-point crystalline wax) is their brittleness . . . (when paraffin wax) . . . is exposed to temperatures of 0 de. F. the coatings crack and flake off (and at high temperatures, fracture). MICROCRYSTALLINE Waxes do not have this deficiency. In fact, MICROCRYSTALLINE wax films may be flexed at low temperatures without a sign of fracture."

" . . . Because of tackiness and toughness MICROCRYSTALLINE waxes are excellent laminants and by combining a paperboard for strength, MICROCRYSTALLINE wax for moisture resistance and a greaseproof paper for protection against fats and oils, a superior wrapping for container for food stuffs may be produced."

" . . . (Uses to which MICROCRYSTALLINE waxes have been put, include) . . . shipment of military ordnance parts to all parts of the world . . . (protective coating for) U. S. Army Ration Units . . . in the electrical industry for protection of capacitors, cables . . . for the manufacture of printing inks, wax polishes and cosmetics."

W H E R E F O U N D

In the June 1948 issue of World Petroleum, Dr. Ernesto Stossel* states the following:

"For about a decade waxes of very high melting-points have been WORKED UP ON A COMMERCIAL SCALE FROM TANK BOTTOMS. Depending on their origin, these precipitates show different compositions and wax contents and may vary in consistency from a mushy liquid to a hard solid wax. The waxes with the highest melting points and highest molecular weight are the first to separate from their solution in the crude oil and to SETTLE TO THE BOTTOM OF THE TANKS.

Most of the high melting point petroleum waxes offered to various industries are PRODUCED FROM EMULSIONS FORMED IN TANKS where crude oil has been stored, and these TANK BOTTOMS which a few years ago were considered as waste materials" are valued nowadays in certain fields at a HIGHER PRICE THAN CRUDE OIL. Only a very small percentage of paraffins present in crude oil show melting points above 160 de. F., and a LARGE VOLUME OF CRUDE OIL HAS TO PASS THROUGH THE FIELD TANKS before an appreciable quantity of these waxes accumulate in the tanks.

Some Facts About The Operation Of Famariss Oil and Service Company:

1. Since April 5, when we processed our first barrel of tank bottoms, we have successfully treated 48,000 bbls of emulsion.
2. To our knowledge, our Company has discovered the only method of treating tank bottoms which has proved successful. Until our method was discovered, these bottoms were not successfully treated.
3. The treating cost per bbl. of recovered product is \$1.0235.

**NOT
ONE
BARREL!**

of recovered product from tank bottoms we have required has ever been sold through a pipe line.
of recovered product has ever been sold as crude oil.
of emulsion or recovered product has even been burned.
of emulsion or recovered product has ever been destroyed or discarded.
of emulsion we process can be used for roads or grades. It is highly undesirable for this purpose as it has no penetrating character.

(*)—Dr. Stossel is associate manager of Paraphalt Argentina. He is a graduate of University of Vienna where he specialized in oxidation of oils. He has worked in Texas on utilization of oil wastes and residues and has been accorded recognition by the War Production Board for his processes for manufacturing strategic chemicals, including microcrystalline waxes. He was the first to realize the IMPORTANCE OF UTILIZING TANK BOTTOMS and crude oil residues for the synthesis of emulsifiable petroleum waxes by oxidation.

NOTICE FOR PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

"The Oil Conservation Commission of New Mexico pursuant to law, hereby gives notice of the following hearings to be held July 15, 1947, beginning at 10:00 A.M., on said day at Santa Fe, New Mexico:

"CASE 100

In the matter of the petition of American Employers Insurance Company for an order directed to Charles R. Tarkenton, address unknown, W. R. Childers, Hobbs, New Mexico and Gene R. Burke, Hobbs, New Mexico to show cause why a well located in Chaves County, New Mexico in the $SE\frac{1}{4}NW\frac{1}{4}$ of Section 33, Township 11 South, Range 25 East, N.M.P.M., should not be declared abandoned and ordered plugged.

"CASE 101

In the matter of the petition 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 DeBaca County, New Mexico, in the $NE\frac{1}{4}NE\frac{1}{4}$ of Section 11, Township 4 North, Range 26 East, should not be declared abandoned and ordered plugged.

"CASE 102

In the matter of the petition of American Employers Insurance Company for an order directed to San Juan Oil & Gas Co., Inc., 922 North Second Street, Phoenix, Arizona, G. R. Cassady, 922 North Second Street, Phoenix, Arizona, Arthur Wilson, Phoenix, Arizona, L. E. Snavely, 900 East Van Buren, Phoenix, Arizona, A. H. Vaughn, 2314 Oak St., Phoenix, Arizona, J. A. DeWar, 2138 East Yale Street, Phoenix, Arizona, to show cause why a well located in San Juan County, New Mexico, in the $SE\frac{1}{4}SE\frac{1}{4}$, Section 19, Township 29 North, Range 11 West, should not be declared abandoned and ordered plugged.

"CASE 103

In the matter of the petition of the Leonard Oil Company, a New Mexico Corporation, Roswell, New Mexico for authority to deepen Leonard Oil Company's State Well No. 3, located in Eddy County, New Mexico, 1177 feet north of the south line in 1250 feet west of the east line of Section 21, Township 17 south, Range 29 east to the oil producing horizon in that vicinity.

"CASE 104

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.

"CASE 105

In the matter of the application of the Panhandle Carbon Company, Inc., for an extension for ten years of its permit heretofore granted November 27, 1944 respecting use of residue and/or flare gas in the manufacture of carbon black.

"CASE 106

In the matter of application of the Oil Conservation Commission of New Mexico, upon its own motion for an order, as recommended by the New Mexico Nomenclature Committee, supplementing Supplemental Order No. 6 to Order No. 633, and relating to overlap in defining boundaries of Loco Hills and Grayburg-Jackson pools, Eddy County, New Mexico.

"CASE 107

In the matter of the application of Barney Cockburn, for an unorthodox well location in Eddy County, in the NE $\frac{1}{4}$ SW $\frac{1}{4}$, Section 29, Township 17 South, Range 33 East, N.M.P.M., on State Lease B-2516 in connection with an application for unit operation.

"CASE 108

In the matter of the application of Southern Union Gas Company for approval of the Hope Unit Agreement, Eddy County, New Mexico, embracing the following lands:

Sections 17, 18, 19, 20, 29, 30, 31, 32 and the S $\frac{1}{2}$ and NW $\frac{1}{4}$ of Section 33 in township 18 South, Range 24 East, N.M.P.M; Sections 4, 5 and 6, in township 19 South, Range 23 East, N.M.P.M; Sections 13, 14, 15, 22, 23, 24, 25, 26, 27, 34, 35 and 36 in township 18 South, Range 23 East, N.M.P.M; Sections 1, 2, and 3 in Township 19 South, Range 23 East, N.M.P.M., containing 17,120 acres, more or less.

Given under the seal of the Oil Conservation Commission of New Mexico, at Santa Fe, New Mexico on June 27, 1947.

OIL CONSERVATION COMMISSION

BY: /s/ R. R. SPURRIER

R. R. SPURRIER, Secretary

S E A L

Said meeting was called at 10:00 o'clock A.M., Tuesday, July 15, 1947, in the Coronado Room of the La Fonda 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. L. J. Frazier, Attorney
Hon. George Graham, Attorney

R E G I S T E R

<u>NAME</u>	<u>COMPANY</u>	<u>ADDRESS</u>
Foster Morrell	U.S. Geological Survey	Roswell, N. M.
J. O. Seth	American Employers Insurance Co.	Santa Fe, N. M.
W. B. Macey	Oil Conservation Commission	Artesia, N. M.
Walter Famariss, Jr.		Hobbs, N. M.
Roy D. Yarbrough	Oil Conservation Commission	Hobbs, N. M.
John M. Kelly	Independent	Roswell, N. M.
C. E. McKinney	Panhandle Carbon Company	Amarillo, Texas
Max A. Minnig	Panhandle Carbon Company	Amarillo, Texas
E. R. Wright	Panhandle Carbon Company	Santa Fe, N. M.
Willis L. Lea, Jr.	Southern Union Gas Company	Dallas, Texas
Frank A. Shultz	Southern Union Production Company	Dallas, Texas
C. L. Withers	New Mexico Asphalt	Artesia, N. M.
E. M. Allen	New Mexico Asphalt	Artesia, N. M.

REGISTER (Cont'd.)

<u>NAME</u>	<u>COMPANY</u>	<u>ADDRESS</u>
F. W. Catron	At Large	
Neil B. Watson, Attorney	Barney Cookburn, Inc.	Artesia, N. M.
W. D. Girand, Jr.	Attorney	Hobbs, N. M.
Joe W. Lackey	Malco Refineries, Inc.	Roswell, N. M.
C. D. Thomas	Sinclair Prairie Oil Co.	Tulsa, Okla.
Frank D. Gardner	Sinclair Prairie Oil Co.	Midland, Texas
Wm. E. Bates	The Texas Company	Midland, Texas
M. P. Paritt	Standard Oil Co., of Texas	El Paso, Texas
H. E. Miller	Standard Oil Co., of Texas	Albuquerque, N. M.
Oliver Seth	Leonard Oil Company	Roswell, N. M.
Emmett D. White	Leonard Oil Company	Roswell, N. M.
H. Allen Weatherby	Stanolind Oil Purchasing Co.	Tulsa, Oklahoma
M. G. Langhorne	Stanolind Oil Purchasing Co.	Midland, Texas
O. D. Crites	Shell Oil Company, Inc.	Houston, Texas
M. T. Smith	Shell Oil Company, Inc.	Midland, Texas
Glenn Staley	Lea County Operators	Hobbs, N. M.
E. H. Foster	Phillips Petroleum Company	Amarillo, Texas
Robert O. Anderson	Malco Refineries, Inc.	Roswell, N. M.
E. J. Gallagher	Gulf Oil Corporation	Hobbs, N. M.
Otis M. Ramsey	Pipe & Supply Company	Monahans, Texas

P R O C E E D I N G S

Meeting called to order by John E. Miles, Presiding member.

BY JUDGE SETH:

The first three cases all involve plugging of wells and the same witness, I ask that they be consolidated for the purpose of taking the testimony.

TESTIMONY OF MR. WM. D. MACEY:

(After being duly sworn, Mr. Macey testified as follows)

JUDGE SETH:

Please state your name.

MR. MACEY:

William D. Macey.

Q. What is your official position?

A. Petroleum Engineer for the Oil Conservation Commission.

Q. Mr. Macey, have you examined the well of Charles R. Tarkenton and others involved in Case No. 100, the SE/4 NW/4 of Section 33, Township 11 South Range 25 East, in Chaves County, New Mexico?

A. I examined the well last Friday (July 11, 1947) morning, talked with Mr. Penter the land owner and examined the well, he informed me the well had been plugged approximately 1½ years ago by the Conservancy District - the well being in the Roswell artesian water basin. He said the Conservancy District had complete records on the plugging, he did not know exactly what had been done but the well apparently had been plugged. I went in there and talked to Mr. Minton and he confirmed Mr. Penter's statements. He said he was sure the Conservancy District would conform with the laws of the Commission if they were so requested and would tell exactly what they had done in regard to plugging the well.

Q. Will the Commission get that information?

MR. SPURRIER: Yes, sir.

Q. Then I suppose your office will have to check it and see if it conforms with the regulations of plugging.

Q. There was no evidence of production?

A. No, sir.

CASE NO. 101

JUDGE SETH:

This has to do with the Griggs well which is located in the NE/4 NE/4 of Section 11, Township 4 North, Range 26 East. Did you examine that well?

MR. MACEY:

I have visited that well from time to time over the last six months.

Q. Will you state what the records of the Commission show?

A. According to the records, the well is a total depth of 5580 feet, there is a combination rig on the site of the hole and about 5 months ago when I was there they were working on the well attempting to recover a drill stem tester they had lost in the hole. They had tried for a long time to recover that tester, they attempted to side track the drill stem tester, don't know whether they were successful or not. The equipment on the well is torn apart - not completely assembled parts all over the place.

Q. Is the rig in such a shape that they could go ahead and dig further?

A. I really don't know.

Q. Was there anybody there the last time you were there?

A. No, sir. From the appearances no one had been in there for quite sometime. The pot they had to store the mud was torn down, everything was in a disorderly manner. I believe the rig engine was still there.

Q. Rotary?

A. Combination.

Q. Did any of these people answer the notice of the Commission?

MR. SPURRIER: No, not that I know of.

CASE NO. 102

JUDGE SETH:

Case No. 102 has to do with the SE/4 SE/4, Section 19, Township 29 North, Range 11 West, well located in San Juan County. I believe you did not examine that well.

MR. MACEY:

Our Representative, Mr. Green, stated he had examined the well but I don't believe he is here this morning. However, we do have a notice on a Commission form which the Operator submitted on November 21, 1938, signed by Mr. Vaughn, Manager and Director of the San Juan Oil and Gas Company which states as follows:

"Having reached the depth of 933 feet with 6" hole, we now find our present equipment inadequate and now intend to install heavier machinery in order to reach the deeper sands.

"At such time as we are ready to resume operation we will notify the Commission."

Q. That was dated November 21, 1938?

A. That is right.

Q. There have been no other reports in the Commission's file from it at all?

A. No, sir.

MR. GEORGE GRAHAM:

With reference to the producing horizons,
how is that hole bottomed?

A. There are - I would say there were about 800 feet above the picture gas sand, which is the producing horizon in the nearby wells. I believe they drilled through the Farmington sand and our records show no production.

JUDGE SETH:

Anybody here representing the American Employers' Insurance Company?

(No response)

I merely want to read in the record - this San Juan bond has not been paid in ten years and we want of course to bring it to a head if we have to plug it ourselves. The bond down here at Roswell has not been paid on since 1944, but that is the one that had been plugged and the Griggs well near Ft. Sumner, no premium has been paid on it for three or four years. We would like to get rid of it if we have to plug it ourselves.

COMMISSIONER MILES:

I don't see any excuse for them standing that long without taking any action, and I think we should take immediate action and have something done.

JUDGE SETH:

We want to either get a new bond or permission to plug the wells.

CASE NO. 103

BY MR. OLIVER SETH - Attorney

There is a notice in this petition to deepen the existing well which is irregularly spaced.

(After being duly sworn Mr. Emmett White testified as follows)

MR. SETH:

Mr. White, when was the well drilled?

MR. WHITE: In 1932.

Q. That was prior to the Oil Conservation Commission law?

A. Yes, sir.

Q. Did the Company get permission at that time for the location?

A. Yes, sir.

Q. Is the well a producing well?

A. No.

Q. Would you describe the location of the well?

A. Located in SE/4 SE/4 Section 21, Township 17 south, Range 29 East.

Q. You have a plan of the location?

A. Yes, sir.

Q. We would like to introduce this plan into the record as evidence.

Who is the owner of the surrounding acreage?

A. Leonard Oil Company owns all the land colored in the plat, which is 160 acres.

Q. The Petitioner owns the adjoining acreage which is all state lands?

A. Yes, sir.

Q. The well is located according to the present regulation, too close to which boundary?

A. I believe the objection of the Commission is the fact that the well isn't located at the location which was originally given as being the location. This well was drilled quite a few years ago and believed to be in the center of the 160 acres, and we have had a survey made and it is out of center around 87 feet I believe.

COMMISSIONER MILES:

Was it ever a producing well?

A. Yes, sir. It was a gas well and produced gas until around 1943 or 1944, and it was shut in and now we want to deepen the well to the oil producing horizon.

MR. SPURRIER:

Approximately how much?

A. About 500 feet.

MR. SETH: That is all.

MR. SPURRIER:

In the event you get a dry hole in the lower zone, what do you intend to do then?

A. In the event we cannot develop any production at all we will plug it.

MR. SPURRIER:

In the event you get production you will produce the deeper zone by itself?

A. Yes, sir.

MR. SPURRIER:

Then the purpose of deepening this hole actually is to save drilling cost on another hole?

A. Quite true. Drilling cost and pipe situation - we will save about 3,000 feet of pipe by going into this old well.

COMMISSIONER MILES:

Anybody have any questions they would like to ask?

(No response)

Case taken under advisement.

BY JUDGE SETH:

If the Commission please, the purpose of this is to get authority to purchase crude that is really being wasted - oil that is run into the pits at the time of the completion or acidation of the well and the catchings from the gasoline lines that has some purities in it. Mr. Famariss desires to show that he can purchase that oil at a price which he will discuss. The recleaning the oil and selling it needs the action of this Commission to make it legal oil. Petroleum in the pit is burned to get rid of it. The tank bottoms are just wasted. We believe a considerable amount of crude can be saved and sold - it is a matter of establishing a safeguard and has to be done pretty carefully, the regulations should be worked out with care and in the case of Mr. Famariss he is willing to post a bond of considerable amount.

(Examination of Mr. Famariss, Jr. - after being duly sworn)

JUDGE SETH:

State your name please.

MR. FAMARISS:

Walter Famariss, Jr.

Q. Where do you live?

A. Hobbs, New Mexico.

Q. What is your business?

A. I am an oil field contractor.

Q. You filed the petition here to be permitted to purchase and purify and sell certain wasted crudes - is it feasible, take, for instance, first the oil run into the pit, will you describe to the Commission what that amounts to.

A. Briefly, the oil which is termed pit oil in the producing field results from the completion or work over of wells in the treatment of wells with hydrochloric acid out of the lime formation through oil which is used or comes from production or is used to acidize in the well, the whole mass or commonly used in emulsification which is not merchantable products. The quantity of this oil varies, no exact amount you could set would come from wells. As an average we believe there is sufficient oil to justify going out there and picking up this oil and transporting it to a reclamation plant, cleaning it up and selling the merchantable crude derived therefrom. This single item probably represents the greatest destruction of hydro-carbons in the oil fields.

Q. How is it handled?

A. Burned principally, another method it is used for oiling roads.

Q. The cleaning of the tank bottoms - will you explain what is involved there?

A. In tank bottoms, which might vary from 13 to 64 barrels in production, they are taken below the pipe line connection where there is mass fluid. Normally pipe line companies will stop withdrawing oil from that tank when the pipe line oil is 4" from the connection. That would mean there is 4" of oil in there below that is emulsion of some type, some that is free water. The procedure at the present time - my idea is this is drawn off by tank cleaning outfits. It is disposed of in like manner as I described pits - that is, by burning or disposal under the lease oil fire wall tank grade or road. It is a waste of hydro-carbon.

Q. What about the gasoline plant catchings?

A. Scrubber oil, the greatest volume of that probably results from sticking of float valve and separator, when the well is flowed into the separator instead of the oil going into the stock tank as it should, there by

virtue of a float valve stick, the oil will go down the gasoline plant's gathering oil. They cannot use and don't want this oil, they destroy it or dispose of it in some manner. It is probably a higher quality of fluid than the tank bottoms or pit oil.

Q. Mr. Famariss, in your judgment can these various waste products be transported to a recleaning or reclamation plant and the pipe line crude extracted from it.

A. I believe the various methods now available to the industry will permit the reclaiming of the oil which in years gone by was not possible.

Q. Have you had experience with this reclamation?

A. I have, yes.

Q. Have you the equipment or can you get it?

A. The equipment has not been purchased, however, it is available and the plant could be in partial operation within 30 days.

Q. Have you any idea of the amount of pipe line crude that might be reclaimed from these wastes?

A. Due to the fact that there is not what is called a tank cleaning plant - cleaning permit in the State of New Mexico, my estimate would be (and it is probably wrong) there is available in Lea County somewhere around 7 to 8 thousand barrels of emulsified fluid per month.

Q. How much of that would pipe line crude?

A. The amount would be recovered - pipe line oil - would be varied from the source from which it was obtained. In the tank bottom the best I have been able to recover is roughly 50% of the volume of the tank oil. In pit oil that is variable cases; if it rained your percentage would be lower than in hot weather. I would give an estimate of 60% - 40% of it would probably be salt water disposal. Scrubber oil - the gasoline plants - it would improve above those two. A fair estimate would be 75% of the scrubber oil and 25% roughly would be disposal.

Q. In your view then, 4, 5 or 6 thousand barrels of pipe line crude might be recovered.

A. It is entirely possible.

Q. The process of reclamation, the crude involves the the heating of the mass.

A. It depends upon the type of emulsification you are installing, some require heat, some chemicals, some acidation and some two or three of them.

Q. The application of heat particularly, would lower the gravity of the crude?

A. It certainly would.

Q. The crude you would reclaim would probably be considerably lower gravity than what was produced through the well into the tank?

A. Absolutely.

Q. Are you in a position, financially, to begin this procedure if the Commission so desires?

A. I can furnish the Commission with substantial resources, proof of them.

Q. Are you willing to give bond?

A. I am not only willing to give bond, but ask that the Commission include that when they give permission for any reclamation plant - that they be required to post a bond in the amount of \$50,000 for the handling of this emulsification.

There is another purpose in that there are people who cannot get bonds, those are the people who you don't want in this business.

Q. If the Federal Government would require a separate bond you are willing to comply?

A. Yes, sir. I would do that also.

Q. Have you any idea of what system should be followed when you purchase pit oil - did you say this purchase should be shown something in the nature of a Bill of Sale on the Commission's form and a copy filed with the Commission?

A. My suggestion in regard to that would be that I, as a reclamation plant owner, would be required to furnish the producing company with a carbon copy to the Oil Conservation Commission and a copy for myself, what would in my judgment normally termed a pick-up ticket. It would show the gross barrels of fluid picked up, the exact tank number or the well number in which the pit exists or the gasoline plant name if it is scrubber oil - I would urge a complete identification of the oil.

Q. Then when you completed it, what procedure should be followed with respect to your selling the oil?

A. I should then be required to send a supporting report to the Commission indicating the gross barrels of fluid taken into my plant within a calendar month, the number of gross barrels would be supported by these pick-up tickets, which would eliminate the suspicion of having obtained oil which did not have identity or exactly as given. I would propose it give the amount of sales to the pipe line company, the number, date and barrels of oil run. This report should also reflect the amount of water or other disposal. I would have gross receipts, net sales and net disposal. In that way it appears to me complete control over the fluid taken into the plant would be accounted for.

Q. In other words, you would account at least in your sales of pipe line crude and disposal of refuse, a volume equal to what you have taken in on these run tickets?

A. It would be a great percentage less than taken into the plant.

Q. What you took from the pipe line and what you dispose of should amount to the run tickets?

A. Yes, sir.

Q. Is this waste oil, in your opinion, of some economical value at this time?

A. At this time it is of no economical value.

Q. If you had permission to work on it?

A. Yes, sir, it would be.

Q. In your opinion should the producing companies be paid for this product?

A. It is my opinion that is the only practical method by which a reclamation plant can operate.

Q. It is your opinion they should be paid so that the royalty owner could get the benefit as well as the producing company?

A. That is right. In the missionary work I have done over the past two months with major companies in regard to this, they have expressed their opinion it is a royalty owner's liability when any hydrocarbons are removed from their lease. The royalty owner would be entitled to his percentage of whatever would be paid for the removal of the waste.

- Q. Have you some idea on how these payments should be computed?
- A. I have a suggestion which can only prove to be correct or incorrect by experience. It seems an amount of 25¢ per barrel could be paid for tank bottom, 40¢ per barrel for pit oil, Scrubber oil would have to be treated as an individual case because of the wide variation of contamination. However, it would be higher than 40¢.
- Q. But your idea is to enter contracts that the price you pay, that it fluctuate with the price of crude?
- A. I believe it is necessary the price fluctuate with the price of crude oil, in that regard I am suggesting the prices I have quoted be tied to 20 gravity crude as now in my area.
- Q. You would have to make individual contracts with the producers?
- A. Yes, sir.
- Q. Would you be in a position to work over the pit oil for a producer?
- A. It is not much difference - whether I work it over for the producer or for the reclamation. I can set up a satisfactory price for treating oil for the producing company, which price would include a price comparable to the price I would receive from the reclamation. I would say 15¢ per barrel.
- Q. You believe this 7 or 8 thousand barrels per month of this waste stuff could result in a large saving of crude that might be disposed of as pipeline crude?
- A. I believe it is good conservation.
- Q. As I understand it, the pit oil would be available at a well only once or twice in two years?
- A. It would be available first on the drilling of the well and might be in case of working over that well it later would - - -
- Q. In other words, no definite schedule in which the oil might be run into the pit?
- A. No, sir.
- Q. Then you think it should not be included in the allowable?
- A. It should be excess to the allowable.
- Q. Not charged to the allowable?
- A. That is right.
- Q. The tanks fluctuate a lot?
- A. An average tank cleaning is probably once a year.
- Q. The value in the tank would vary greatly?
- A. Yes, sir - it would.
- Q. Any trouble with paraffin?
- A. Considerable trouble in certain areas. Instead of emulsification you will find a thick paraffin fluid which will not move off from the tank.
- Q. As I understand it, you are willing under any reasonable regulation the Commission would make, and secured by bond to force your complying with the law to undertake this project and try to reclaim this fluid?

A. In summarizing, I do not believe as mentioned in the past, any of these waste products should be charged against the allowable of the unit. I believe anyone in my type of business should be required to pay for the crude or waste products so there would be protection for the royalty owner. I have word from two major companies if they were not purchased they would not participate because of royalty liability. I have contacted and discussed with some 15 or more major companies and have not had reverse reaction. Beyond those two items which I have cited, there - it is my desire that the Commission make their ruling as hard and tough as it can be made. We all realize the danger involved in an industry of this kind - a practical regulation I believe is the thing we need in the regulation, including the making of bond.

Q. That is all.

COMMISSIONER MILES:

Any of these products being produced now?

A. Not that I know of, I cannot specifically state.

MR. SPURRIER:

Aren't they being produced in Texas?

A. Yes, sir. A plant in Odessa. At the present time many of the companies are now producing their own oil. It is costing a small percentage of the price they can get from the oil. They consider it good conservation.

MR. W. D. GIRAND:

I would like to ask Mr. Famariss some questions.

You say you are in the oil field construction business at Hobbs?

A. Maintenance and construction.

Q. Do you operate a tank cleaning outfit at this time?

A. I do not.

Q. Is it your proposal you will operate it?

A. I do not propose to operate a tank separating outfit, if I can work I will operate with the tank cleaning companies.

Q. You propose to pay for this oil?

A. I do.

Q. How will you arrive at the recoverable oil in a lease?

A. I do not propose to arrive at it - I am purchasing waste products.

Q. You propose to pay for that wasted?

A. I do.

Q. You will pay for it on the quantity received from a particular lease?

A. Free water excepted.

Q. You are going to buy that from a transporter?

A. I will not buy oil from a transporter, I will only deal with the producing company; securing what I need.

Q. You are not going to set yourself up as a common purchaser?

A. You will have to clarify that.

Q. You will buy waste oil?

A. From any producing company.

Q. Or individual?

A. No, sir. I will not buy from a transporter.

Q. Individual lease owner?

A. If an individual lease owner is a producer, yes.

Q. Where do you propose to build your plant?

A. At the most advantageous spot where the fluid is now available.

Q. Do you know where that is now?

A. I do.

Q. Where is it?

A. I don't think that is relevant.

COMMISSIONER MILES:

Let me hear the question again.

Q. I asked where he proposed to build this plant.

COMMISSIONER MILES:

You do propose to build it in New Mexico?

A. Yes, sir, in New Mexico and Lea County.

MR. SPURRIER:

Have you ever treated any oil?

A. Yes, in Andrews County, Texas.

Q. Are you operating a treating plant there?

A. What is known as a portable steamer.

Q. You use a portable steamer?

A. The Fullerton Oil Company of California, where considerable acidizing work is done in Andrews, Texas, I proposed to the men they no longer burn their pit oil, but permit me to go out and pick that oil up, scrub it, clean it and transfer it to their stock tanks. They have seen it as a good conservation practice and in such an operation they are charging that against allowable.

Q. That is a rule in Texas it is charged against the allowable of the well?

A. Yes, but most companies burn it.

Q. If I understand you correctly, all you ask of this Commission is for them to set down certain general rules and regulations governing the processing of waste oil.

A. With the provisions which I have thoroughly stated, and I believe necessary to good operations.

Q. Those provisions being payment of a certain amount - - -

- A. No charges against allowable, the necessary protection for the oil owners, the posting of a very substantial bond by me with the state and federal government, and to make every other provision that will result in clean operations of a suspicious business.
- Q. If you get your order here authorizing you to purchase the waste, you will expect the Commission to give you the dope on pipe line oil?
- A. Yes, sir.
- Q. You have the right to go out and buy this waste oil now.
- A. I know of no right by which I can go out and buy hydro-carbons.
- Q. What kind of plant do you propose to construct?
- A. Heat, chemical and mechanical.
- Q. All those plants uniform in construction?
- A. Similar, not uniform.
- Q. You have such a plant in operation in Andrews?
- A. I did not say I had one in Andrews, I said I had a portable steamer which is serving a producer in cleaning up his own oil.
- Q. So far you have never operated a reclamation plant, is that right?
- A. No one has ever operated a reclamation plant in New Mexico.
- Q. Have you ever operated one anywhere else?
- A. I have never operated one in Texas or any other place, but I am completely familiar with emulsification of oil.
- Q. In order to clarify this payment - as I understand it you are going to pay on the volume of emulsification you have picked up.
- A. Free water excepted.
- Q. How do you propose to gauge that?
- A. In the same manner the pipe line companies gauge their run tank, the initial procedure will more than likely be to pull off, by method already determined, the free water from the bottom of the tank when the emulsification starts coming it will be put into a pit or my transport.
- Q. Do you a transport at this time?
- A. They are available on the market. I will not get one until I get an order from the Commission to process oil.
- Q. It is your opinion about 75% of the emulsification you will take to your plant will be pipe line oil?
- A. I did not ever make that statement.
- Q. What is your opinion?
- A. In my test experiments I find no more than 50% of an emulsified tank bottom recovery, I have found no more of pit oil that is beyond 80% recovery. I will qualify that by stating every one is an individual case. The first pit might be 80% or 20%, your scrubber oil might be as low as 20%.
- Q. How do you propose to keep the Commission informed as to the amount of recoverable oil from place to place?

A. There is no manner by which the recoverable oil from place to place can be determined. The thing is to see that I do not have more pipe line oil than I have gross receipts.

Q. It gives you a lee-way to run 100% of your pick-ups.

A. No.

Q. Your tank can be 80% and - - -

JUDGE SETH:

Mr. Girand would you state who you are representing?

MR. GIRAND: Hardin-Houston Tank Cleaning Company.

MR. GEORGE GRAHAM:

I understood you expected to charge for this waste oil - if another tank cleaner wanted his oil cleaned could you do it?

A. If a producing company, in lieu of selling me the waste, would engage me to clean his oil.

Q. You wouldn't process for some tank cleaning company?

A. No, sir. Only a producer - producing companies and pipe line companies.

Q. You stated you would not purchase from a tank cleaning company.

A. No, sir. Only a producer.

Q. You stated you would serve producing companies only.

A. Yes, sir. I think in your question you were citing the liability involved in me as a processor and someone else as a tank cleaner.

Q. I got the idea another tank cleaner might have some waste products, and he could bring them to you for service charges.

A. I frankly will stay completely out of any tank company.

MR. GIRAND:

What will be the capacity of the plant you propose to build?

A. It will be designed to equal the volume of fluid handled.

Q. How much is going to be the capacity of the initial plant?

A. If you had 5 cows you would buy a small separator.

Q. How much have you bought at the time?

A. I have bought none because I have no permission of the Commission.

Q. What will be the capacity of the plant?

A. Equal to the gross fluid.

Q. What will be the gross fluid you will take out of the territory?

A. Your guess is as good as mine.

MR. GRAHAM:

We have no objection so far as the particular application is concerned.

MR. NEIL WATSON (Representing the Artesia Pipe Line Company)

Mr. Famariss, in purchasing this oil from the operator or producer, what evidence what title or ownership will you require?

- A. I will have a form, which is satisfactory to the Commission, for tank cleaning with an affidavit attached to the bottom of it. That, in my opinion, should constitute title.
- Q. Is it your idea Mr. Famariss to pay the operator on a 100% basis for the emulsion you purchase.
- A. There will be no grade of the emulsion purchased - except the provision I cannot pay or transport free water.
- Q. Do you intend to pay the producer or operator for all the oil or emulsion purchased and expect him to pay the division of that payment or do you intend to pay individually to each one?
- A. That question has come up in my contacts with the oil companies. I am prepared to set up whatever is necessary to satisfy the royalty owners. Most of the companies propose to handle their own royalty payment.
- Q. What do you propose to do with this oil after you have treated it?
- A. It my intention to sell the oil to pipe line companies - I do not intend to refine or top or crack.
- Q. In selling to a pipe line company will you expect them to make payment to you on 100% basis?
- A. If I sell the 100% pipe line oil, yes.
- Q. In that case are you in a position to make some identity bond to protect them on the division of the purchase price?
- A. I am.

COMMISSIONER MILES:

Anybody any questions?

MR. SETH:

We have no further questions.

MR. GIRAND:

I would like to make a statement.

It is my opinion the Applicant has the authority to do exactly what he is asking to do here with ^{out} the benefit of the Commission. The waste is property and property can be transferred without the benefit of the Commission.

The question that is raised by this application is the question of providing for the processing product. That is the recovery oil that the Applicant expects to get from the pits that he is to take into this plant - it strikes me the Commission should enter a general order that would be applicable to all tank cleaners, transporters and all processors of this waste oil. There is, no doubt but what the State of New Mexico should preserve and conserve this product at all recoverable points, but it is my opinion the Commission should set out a rule for tank cleaners requiring reports so that this Commission at all times in the State of New Mexico would be protected against the running of hot oil. If this application is granted the man is to buy emulsion- his next request of this Commission is to run the oil. Where is the Commission's check of this oil - I believe if the Commission should enter a general order to require the tank cleaners and operators to report to this Commission the volume of emulsion removed from any pit tank, particularly removed from any lease, and the disposition of that processing, so that the processor in turn may make a report to the Commission of the amount of emulsion received and by whom - how much oil is recoverable I am not in a position to state - it is certain the State of New Mexico should not run over 100% of the waste.

JUDGE SETH:

It is our opinion this should be controlled by the Commission from the time of its purchase - the time it is taken out of the tank clear to the disposition of the oil; that they should be required to balance the volume at all times under the supervision of the Commission and under a heavy bond. We don't want any hot oil run into these tanks, we want careful supervision of the Commission.

By submitting what the man processes and the check on everything that goes through the plant, that is the only way in my judgment the Commission can hold everything under control. It is a matter that has to be safeguarded by the most rigid requirements the Commission can have. Anyone goes out and buys pit oil and has to be handled like any other type of product produced from the lease -

Mr. L. J. FRAZIER:

You are not in favor of purchase of the waste fluids?

MR. GIRAND:

Yes, sir. My position is that there is absolutely no way in the world where a producer can allocate or show how much recoverable product is produced from his lease. Through an ordinary tank - a 500 barrel tank will produce about 33 barrels of waste at the time the pipe line turns the tank down. From that you might be able to recover 6 or 7 barrels of fluid - all depends on the particular well and tank. It is economically impractical for a producer to take one tank or tank battery and take them into his processing plant and re-produce that amount of oil.

I believe he says here there would be approximately 7,000 barrels of waste per month - that being true you can run about 500 barrels in a 24 hour period, so you would have an idle plant for a long time during a month on a 500 barrel daily capacity. It is my opinion if this Commission changes its prior regulation and this waste is not waste anymore - when the price of oil goes down the question will come to every producer whether or not he will have to put in a re-cycling plant for each lease and recover the oil that is marketable from it - because we are now establishing a market for this oil - he is supposed to operate his lease and produce it to the best of his ability.

MR. FAMARISS:

There seems to be an insinuation that the processing companies will be paid concerned with the amount of reclaimed oil. If you will recall, I have made no commitment to account to the producing companies for the reclaimed oil. I am purchasing an emulsion, how I handle that emulsion will depend upon the ability I have and efficiency as a reclamation plant operator. There is no agreement between the producer and me as to how much reclaimed oil - I am offering to purchase a mass. In case to what will happen in case the price of oil drops - in prices I have proposed these prices be tied to 20 gravity oil at its present marketable price, and that my price fluctuate as does the price of 20 gravity crude.

COMMISSIONER MILES:

Anything else to say - I don't know, I am not familiar enough to know, but is it your thought it should be processed or should not be processed.

MR. GIRAND:

It should be processed, but to make it a removable product this Commission does not have the manpower to properly supervise it. I am not making any accusation against the Applicant but think we would be opening the door for fraud. Any shady operator can turn over his waste oil and it may run 100¢ pipe line oil - if so as you make it marketable why not turn your well into the pit. It has been waste heretofore in New Mexico and has not cost the royalty owners a great deal, if any, and it should remain waste. Because of the complications that will arise by making it a salable product.

MR. FAMARISS:

The attorney has a good question. One of the large oil producing states in this country has faced the same problem - in one field it was found they were cleaning tanks every 18 days. The ruling has been passed where they have been permitted to clean their tanks once a year. Any cleanings beyond that is either done by special permit or the bottom is charged back directly against their allowable which has resulted in very satisfactory control.

MR. H. N. SWEENEY - Permian Oil Company.

On this last comment of Mr. Famariss' - I happen to be quite familiar with that. There is a hearing this Friday (July 18, 1947) in Austin on the matter of relaxing that particular regulation, for this reason, that is applying only to East Texas District and there has been so much complaint from the operators - some fields the tanks have to be cleaned more often than once a year, in this particular case instead of having their tanks cleaned they would more or less run them surreptitiously and burn their oil, got to be a standard practice and the State had to take cognizance of it. In the Odessa District alone they have three inspectors - Midland, Wink and Crane. The cost has been so excessive over the advantages this hearing Friday is to consider the matter of releasing the regulation. It has been a handicap, encourages the disposing of waste products rather than gaining some sort of recovery from it. It is a realistic viewing of it rather than a theoretical.

COMMISSIONER MILES:

Anybody else any information regarding this matter?

MR. SPURRIER:

I think I may have missed a point, but how will you determine who gets the royalty on the gas getting by the gasoline line?

MR. FAMARISS:

The fellow - pump production man - on the lease who has allowed that float valve to stick, through his negligence or over-sight, will never admit his act but it shows up at the gasoline line and they have no manner of determining it. There is no satisfactory method by which this can be identified. Gasoline plants have no control over it whatsoever.

MR. SPURRIER:

I wonder if one of you gentlemen can give me the Texas attitude on this percentage business. How do they check on an operator and feel satisfied he is not producing more oil from the tank than it contains.

MR. SWEENEY:

On each tank cleaning permit granted to the State the inspector is required to go out and inspect that tank and ascertain the fact that it is emulsion and not crude. Most inspectors through necessity cannot cover all the tanks cleaned. Most of them sign the permit without inspecting the tank. A monthly report is required of the tank cleaning plant showing the origin of the oil and total runs of the pipe line. The percentage will vary in some areas, but I think it comes from those monthly reports - can fairly well determine what the plant is doing. When it starts over the plant isn't efficient and they know there is something funny somewhere. I agree if you make it a marketable product it will be a detriment rather than help in disposing of these products - you have a number of plants you won't get but 4 or 5 barrels of oil, and a plant set up to purchase that oil cannot afford to go out and get it, but a tank cleaner can afford to take the product in and treat it. There going to be a lot of tanks the waste won't be removed from it.

MR. FAMARISS:

It is my proposal that I treat all producing companies alike. I intend to serve the industry so far as the product is transported from the tank or pit is concerned, that is to be my problem in establishing my plant within a practical transporting distance. I do not intend to make exceptions.

MR. GIRAND:

Mr. Famariass at this time you have neither plant nor transporting equipment, is that right?

A. That is exactly right.

Q. The proposal in which you propose to operate - where did you get your information of the cost?

A. I have not spent 18 years in the oil business with my eyes closed.

Q. If you will explain where you got your information, as to how you would operate your cycling plant -

A. I could do it but that will take hours - I am capable and have the experience.

Q. You tell this Commission you will operate as a common purchaser?

A. That is right.

Q. In that regard you will be a common purchaser - you have had no experience in operating one of these plants.

A. I have had considerable experience in cleaning of emulsified oil.

COMMISSIONER MILES:

Let me see if I understand - so long as he proposes to do this or does it will we be concerned with that?

MR. GIRAND: It is my opinion the Oil Conservation Commission of New Mexico was set up for conserving natural resources of the State of New Mexico - the Commission is granted, through the Act, the authority to regulate and conserve the waste of its natural resources.

JUDGE SETH:

There is no doubt about that and no doubt the oil lawfully recovered can be lawfully sold unless this Commission authorizes this.

COMMISSIONER MILES:

You believe the oil should be processed?

MR. GIRAND:

It should be.

COMMISSIONER MILES:

How do you believe - you think it should be given to the tank cleaners then processed, you do not believe in purchasing it?

MR. GIRAND:

I don't believe it ought to be set up as a marketable product, this waste oil.

COMMISSIONER MILES:

After it is processed.

MR. GIRAND:

I don't believe the processor should have a right to run oil. The State of New Mexico oil is not equal to the emulsion that is processed.

JUDGE SETH:

It is this Commission's duty to protect the royalty on it.

MR. GIRAND:

Mr. Seth, I ask how do you propose to account to the royalty owners on the waste?

JUDGE SETH:

If he pays 50¢ per barrel on it that is all they get. Let him buy it under contract with the producer and pay for the emulsion.

MR. GIRAND:

Then your shady operator can produce his allowable from his well at the posted pipe line price and the royalty owner is paid on the 50¢ per barrel and your royalty owner is not protected.

JUDGE SETH:

The Commission can protect that, we are willing to secure a bond for that.

MR. WATSON:

Have you made any investigation to determine whether or not the State of New Mexico and the Federal Government, in case of federal leases, would accept this royalty reserved in the leases on the basis of 25¢ or 40¢ per barrel.

JUDGE SETH:

No sir, I have not.

MR. WATSON:

You do not know then whether the payment of that amount to the producer, whether the lessor would accept payment of its royalty interest on that same basis?

MR. FAMARISS:

They are now not raising any objections to getting nothing for it, if they get something it is more than they are getting.

MR. WATSON:

Have you made any investigation in that?

A. No, sir, I have not. Should the Commission grant me the permission asked I will go into that.

JUDGE SETH:

In the case of the Federal leases, all these contracts have to be submitted to the Federal supervisor and you present them to the State also?

A. Yes, sir.

COMMISSIONER MILES:

Whenever that emulsified product is cleaned would it become the property of the tank cleaners?

MR. GIRAND:

It is their obligation to get it out of the tank.

COMMISSIONER MILES:

That becomes the property of the man who has the contract for cleaning the tank and he is to dispose of it as he pleases?

MR. GIRAND:

Yes, sir.

COMMISSIONER MILES:

Then he will produce it and sell it?

MR. GIRAND:

That is right.

COMMISSIONER MILES:

Then it becomes his property?

MR. GIRAND:

It is impossible to treat out any particular tank battery at one time. You will have 99 barrels of emulsion to treat out. The majority of these re-cycling plants set up tanks and clean the oil.

COMMISSIONER MILES:

He would have to take it out too - what prevents the same abuse applying to either or both of them?

MR. GIRAND:

It could unless the Commission provides a ruling preventing it. A permit to tank cleaners telling the amount of emulsion and the disposal of the emulsion.

COMMISSIONER MILES:

Isn't that what he proposes to do?

MR. GIRAND:

He proposes to deal direct with the operator. As I understand Mr. Famariss he did not intend to engage in the tank cleaning business.

COMMISSIONER MILES:

He would be paying on a certain basis?

MR. GIRAND:

He will be in the tank cleaning business unless he can get the producer to have the tanks cleaned and instruct the tank cleaners to take the emulsion to him.

MR. FAMARISS:

I will not restrict the tank cleaners to take the emulsion to my tank. My suggestion is that the tank cleaners dump that oil in a pit, then my transport picks the oil up from the pit. I intend to avoid that connection as much as possible.

MR. GIRAND:

It appears to me that the applicant here, if granted the authority, is willing to go ahead and establish what he is asking to operate. He has done a lot of investigating but he admits to this Commission a theory of what he will do, he is granted to do it the Commission is asked to go ahead and pass on something before they know whether or not he can take care of the requirements of the New Mexico fields.

MR. FAMARISS:

I state I will take care of whatever is available and anytime the Commission wishes I will show my financial resources and ability and availability. I will not take care of what I can handle but what is completely available.

COMMISSIONER MILES:

Is this mandatory that the oil wells sell this product?

MR. FAMARISS:

I would say that is not advisable, the oil companies should have the option of selling to me or continuing what they are doing.

MR. GIRAND:

If it is salable it will have to be sold or kept right on the place, the leases. You won't use anymore oil on the lease roads after there is a market established for it.

MR. FRAZIER:

You are not asking for exclusive authority from this Commission?

MR. FAMARISS:

I don't want a monopoly - the time, the money and neglecting my business for the past two months and asking for this permit if it is granted it is for everybody, not just my own ability to handle.

MR. FRAZIER:

You would be operating purely on a competitive basis?

A. No doubt they are waiting for it.

COMMISSIONER MILES:

Anybody else any question or information?

MR. SWEENEY:

May I ask Mr. Famariss, if he gets this general order permit what is necessary on the cleaning tank laws, to satisfy everybody in the fields.

MR. FAMARISS:

I like to qualify that - it is my opinion the purchase of these emulsions is the satisfaction of all involved parties.

MR. GIRAND:

I do not think it is the Commission's prerogative to establish certain conditions under which it must be sold - I think the acquisition of the subject matter which this application deals is a matter between the producer and the owner of the product and this Commission is over-representing itself when it says it must be bought.

MR. FAMARISS:

If someone wants to take it for nothing and I want to pay 25¢ - - -

(Case taken under advisement)

MR. L. C. WRIGHT:

If the Commission please; on November 27, 1944 this Commission granted to the Panhandle Carbon Company a permit to use residue and flare gas in the manufacture of Channel Carbon Black. The permit being effective from November 27, 1944 for the duration of the war and six months thereafter - the question is when that date really arrives, under the wording of the permit we are applying to have that extended for the use of an estimated 30 million cubic feet of gas per day. It is purchased from the Phillips Company and is only a portion of the gas which is produced. After it has been through their plant what I believe is waste is not all taken out yet - the theory upon which this was granted originally Channel Carbon Black was essential to the war effort in the manufacture of automobile tire casings. We are prepared to show the product is still an essential industry, the market for Channel Carbon Black cannot now be fully supplied from the available channel carbon black, it is still an essential product in the industry, and I was just wondering if anyone here desires to oppose this application. If not we will outline the situation through a witness.

MR. FRAZIER:

The Presidential Proclamation merely declared a cessation of hostilities.

JUDGE WRIGHT:

Some of the Bureaus say it has ended and others say it has not.

MR. FRAZIER:

Your present commission runs until the termination of the war?

JUDGE WRIGHT:

And six months thereafter. We are asking the time be extended 10 years from the date.

COMMISSIONER MILES:

Anybody who has any objections?

(No Response)

(After being duly sworn, Mr. C. E. McKinney testified as follows)

JUDGE WRIGHT:

Please state your name.

MR. McKINNEY:

C. E. McKinney.

Q. Where do you live?

A. Amarillo, Texas.

Q. You are connected with the Panhandle Carbon Company?

A. Yes, sir.

Q. In what capacity?

A. Vice-President in charge of operations.

Q. Headquarters in Amarillo?

A. Yes, sir.

- Q. You were connected with this Company in 1944 when it obtained the original permit?
- A. Yes, sir.
- Q. You appeared before this Commission then?
- A. Yes, sir.
- Q. In the operation of the plant for manufacture of Channel Carbon Black, will you briefly state to the Commission the method and what the ultimate product is used for?
- A. The residue gas taken out of the Channel Black plant - a group of channels with flames and scrapped in the operation and processing. In the various types it requires 90% for casings for trucks, busses, etc., and the rubber processing companies use it.
- Q. Is there any other kind of carbon black?
- A. Yes, sir. Furnace type.
- Q. Which is preferable for manufacture of tires - casings?
- A. Channel Black.
- Q. Why?
- A. The particles are much smaller and more easily used.
- Q. The Channel Black when worked into tire casings - the resistance against road abrasions is greater?
- A. Yes, sir.
- Q. It is better than furnace blacks?
- A. Better than the ones produced to date. We are trying to produce suitable furnace black.
- Q. Through what source do you obtain your gas supply?
- A. Phillips Petroleum Company.
- Q. Where?
- A. El Paso, New Mexico.
- Q. Do you contract with them?
- A. Yes, sir. We do.
- Q. Through their plant do they have more gas available than the 30 million Cu. Ft.?
- A. Yes, sir.
- Q. Some of that gas used for what other purposes?
- A. El Paso Natural Gas Company takes a portion and what we do not consume is blown into the earth.
- Q. Any of it being used for re-pressuring?
- A. I don't believe so.
- Q. You know what the capacity of the Phillips plant is - - -
- A. I would say 80 million cubic feet.

- Q. Just dealing with the economic demand or requirements for channel carbon black, briefly what is the present market condition as to the need for channel carbon black.
- A. At the present time, I believe they are purchasing about 500,000 tons per year and I believe if they secure the rubber the industry could use 800,000 tons per year.
- Q. That is used - for instance a tire casing of percentage - what percentage of that casing is made of carbon black.
- A. Today I would say the amount would be about 45 parts by weight of the actual rubber, 45 carbon black and 55 rubber.
- Q. That gives the bulk to the tire and makes it more abrasive proof?
- A. More resisting and preserves the rubber.
- Q. You have a contract with the Phillips people for how long?
- A. December 31, 1949 when the contract expires.
- Q. Are you familiar with the available supplies in that field as to whether or not it will be available after that date?
- A. The Company says as long as there will be available gas after the contract expires they will be willing to give it to us.
- Q. You are only asking for an extension of permit to use available gas?
- A. That is correct.
- Q. Is the plant you are now operating a government plant?
- A. Correct. The R. F. C. or War Production Board built it and the Panhandle Carbon Company is the Lessee for the duration plus 6 months. I believe the plant comes up for sale September 16th and we propose to bid on that plant and continue to operate it.
- Q. Is it essential to your business, as a potential bidder, that you have the assurance of the Commission this permit will be extended?
- A. Yes, sir.
- Q. If it could not be extended you would not purchase it?
- A. No, sir.
- Q. You will individually operate it as soon as the permit is granted?
- A. Yes, sir.
- Q. At the present time your plant is handling how much?
- A. 30 to 32 million cubic feet.
- Q. We have prepared a provisional order which copies have been submitted to Mr. Graham to look over and if it is satisfactory other copies are here for the consideration of the Commission.

MR. FRAZIER:

In the event you do not purchase this plant from the R.F.C., you propose to erect another plant and continue your operations?

A. Yes, there is a possibility we would if the gas supply is available.

JUDGE WRIGHT:

In years gone by prior to the war, in the State of Texas you looked upon the making of carbon black as possibly a waste. The State of Texas now considers it a legitimate industry.

JUDGE WRIGHT (CONT'D.)

We consider this is a legitimate use of the gas and will result in much more on the tax rolls of Lea County. It will be a very substantial addition to the tax valuations in Lea County.

That is all we desire to present.

COMMISSIONER MILES:

We would be glad to look over the order form and take it under consideration.

JUDGE WRIGHT:

We hope the Commission can give us a decision very promptly.

CASE NO. 106

MR. SPURRIER:

This case is based on the recommendations of the New Mexico Nomenclature Committee. I am sure every one here interested is familiar with the case - it is being brought before the Commission because the Commission cannot delete any part of any pool except in an open hearing.

If there are any objections to deleting the pool as described in the Nomenclature recommendations, please come forward.

If there are no objections the Commission assumes that the recommendations can be accepted as submitted and that it will be done.

CASE NO. 107

MR. NEIL WATSON:

I am Neil Watson of Artesia, New Mexico, appearing for the petitioner. At the time the two applications were originally filed the lease was owned by Barney Cockburn; since that time the lease has been assigned to a Corporation - Barney Cockburn, Inc.

I would like to ask leave to amend the application for a unit and for one other well location to make Barney Cockburn, Inc. Mr. Cockburn was unable to be here and the evidence he would present are all matters of record in the State Land Office. That the lease is under single fund and the ownership of the 160 acres is the same and the royalty interests are the same.

I have a report to present in duplicate from Mr. Moreland T. Hartwell, Consulting Geologist, Midland, Texas - if no one has any objection I would like to file the report with the Commission. I believe the Commission understood this is an application before the State Land office for unit operations under Chapter 88 Session Laws of 1943, State Lease B-2516, SE/4 Section 29, Township 17S, Range 33⁴/₄. There are 4 wells on the 160 acres, one well in the approximate center of each 40 acre tract. The Petitioner desires to operate the 160 acres as a unit - an additional well in the NE/4 SE/4 of Section 29 as near the center of the 160 acres as possible.

As I stated in the beginning, I believe most of the matters in the petition with reference to ownership and the lease are matters of record in the Land Office.

Are there any questions the Commission may have?

(No Response)

There is no application for an additional allowable for the well to be drilled, but the application asks that the 160 acres be considered as a unit so that the allowable be equal to four times the unit allowable for that 160 acres.

MR. GEORGE GRAHAM:

Cockburn, Inc., will be the unit operator and the Land Office Records will show that the assignment has been approved.

MR. SPURRIER:

This lease is all federal land?

MR. WATSON:

No, it is all a state lease.

MR. SPURRIER:

Mr. Cockburn does not intend to ask for an allowable that will exceed that given to any 4-40 acre units?

MR. WATSON:

That is correct.

COMMISSIONER MILES:

It will be taken under consideration.

CASE NO. 108

MR. WILLIS LEA:

This is a unit agreement, a matter involving about 17,000 acres in Eddy County, New Mexico known as the Hope Unit Agreement. The form of the agreement has been worked out over a period of time with representatives of the State Government and Federal Government, and is believed to contain the provisions necessary to the protection of all interests including conservation provisions and provisions assuring the proposed allocation of production from the participating area, or areas to those producers having acreage in their area.

I called Mr. Graham this morning and discussed with him the final form of the agreement and he authorized me to say that this was satisfactory, subject of course to whatever might develop at this hearing.

If the Commission please, I would like to call Mr. Frank Shultz.

(After being duly sworn Mr. Shultz testified as follows:)

MR. LEA:

State your full name.

MR. SHULTZ:

Frank August Shultz.

Q. Your profession?

A. Geologist.

Q. What are your educational qualifications?

A. Graduate of the University of Oklahoma, school of Geology, B.S. degree in geology.

Q. How long have you practiced the profession?

A. Seven years.

Q. Have you made a study of the geology of the State of New Mexico, particularly the geology of Eddy County?

A. I have.

Q. Are you familiar with the report of the Garrett Exploration Company covering Gravity Meter Survey of the Southwest Artesia Prospect in Eddy County, New Mexico?

- A. Yes, I have examined it in detail.
- Q. Please identify this as being a true copy of that report.
- A. (After examining) It is.
- Q. If the Commission please, we would like to offer this in evidence.
- (No Comment)
- Q. I hand you photostatic map entitled "Magnetic Survey of ARTESIA AREA Eddy County, New Mexico", prepared by R. H. Andrews Geophysical Service, Dallas, Texas, and ask you if it is a true report - true copy of report by Andrews Company?
- A. It is a true copy completed by Mr. Andrews.
- Q. Mr. Shultz does Exhibit 2 show in red the boundary of the proposed unit area?
- A. Yes, it does. It is an outline of the proposed area.
- Q. That is 17,000 odd acre block as constituting the unit area?
- A. That is correct.
- Q. Please state in your own words the type of anomaly which appears to exist on the basis of these two reports introduced in evidence.
- A. The gravity anomaly is very pronounced positive areas in Townships 18S, Range 23E, 19S, 23E, 18S, 24E and Township 19S, 24E. This anomaly is the type that generally indicates structure in New Mexico. We have also completed the magnetic survey and found a similar type anomaly that exists in the same relationship to the gravity, again from the evidence we have of working known fields it indicates positive structure. I have worked the survey in the areas and found only one outcrop of that survey. The work is not conclusive to showing the evidence of the structure, we are depending on geophysical work entirely.
- Q. Would it be fair to say in your opinion these two types of survey generally correspond in the indicated evidence of the structure favorable to the accumulation of oil-gas?
- A. I would say we can depend on the geophysical history of other other fields - all the fields we have worked in New Mexico have shown gravity anomaly of the result of structure.
- Q. Is the indicated structure within the boundaries of the proposed unit area?
- A. Yes, the anomaly as outlined by Mr. Andrews of the Andrews Geophysical Service and Mr. Garrett of the Garrett Exploration Company is embraced in this proposed unit area.
- Q. Do you know of the plans which the Company has with respect to the drilling of a test well in this unit - with an order from this Commission?
- A. Yes, a well is contemplated when all the State and Federal requirements have been satisfied.
- Q. Do you know the depth it is proposed to drill that well?
- A. 7500 feet unless metamorphic or ingenuous rock is encountered at a lesser depth.
- Q. Would that, in your opinion, be an adequate test of the known beds in this area?
- A. Yes.

Q. Are you familiar with the unit agreement?

A. Yes, sir.

Q. Would you state whether it would tend to result in the conservation of oil and gas?

A. It does.

Q. Does it contain a provision for protection for royalty owners and other owners?

A. It does.

Q. Would you identify this as being a true copy of the unit agreement as now proposed?

A. (After examination) It is.

MR. LEA; I would like to introduce this as evidence.

(No Comment)

Q. State whether or not the geological or geophysical information represented by Exhibits 1 and 2, have been submitted to the U. S. Geological representatives.

A. They have.

Q. Was that in connection with the Company's application for this area as a unit area?

A. That is right.

Q. These two reports and the evidence here have been submitted to the United States Geological Survey?

A. That is correct.

MR. LEA:

I believe that is all unless the Commissioners have a question.

COMMISSIONER MILES:

Any questions?

(No response)

If not the matter will be taken under consideration.

RECOMMENDATIONS FOR CHANGE OF ALLOWABLE IN THE STATE OF NEW MEXICO

MR. SPURRIER:

Some of you are waiting to make your recommendations for the change of allowable in New Mexico, as you were requested to do last Wednesday, July 9, 1947.

At this time if you will please come forward and make the recommendations we can take care of this thing. To date, we have received about three recommendations for advancing the allowable. Unless we can hear from someone here we will have to assume that is all we are going to get except what may be mailed in.

(No recommendations made at this time but some of those present requested the discussion be re-opened and the recommendations that were sent in to the Commission be read.)

Telegram from Mr. E. J. Henry, Jr., of the ATLANTIC REFINING COMPANY:

"REFERENCE STATEWIDE HEARING TODAY, WE HAVE DEMAND AND OUTLET FOR ADDITIONAL TWO THOUSAND BARRELS DAILY NEW MEXICO CRUDE OIL. REGRET DELAY GIVING YOU DEMAND FIGURE BUT WE DID NOT RECEIVE NOTICE YOUR HEARING EITHER LAST WEEK OR TODAY."

Telegram from Mr. J. C. Edwards of the TEXAS COMPANY:

"COMPLYING WITH YOUR REQUEST MADE DURING MEETING IN SANTA FE ON JULY TENTH, WE HEREWITH ADVISE THAT AN ANALYSIS OF OUR SUPPLY AND DEMAND OF NEW MEXICO CRUDE INDICATES A SHORTAGE OF 2,000 BARRELS DAILY WHICH ADDITIONAL QUANTITY WE DESIRE TO PURCHASE AND FOR WHICH WE CAN ARRANGE TRANSPORTATION THROUGH FACILITIES THE TEXAS-NEW MEXICO PIPE LINE COMPANY."

Written note from Mr. C. D. Thomas of the SINCLAIR PRAIRIE OIL COMPANY:

Mr. R. R. Spurrier:

"Sinclair Prairie Oil Company requests and recommends an increase in the now marginal top well allowables in Eddy and Lea Counties of a minimum of 5 barrels per well. This Company has adequate pipe line space to handle any such increase as is given and an urgent need for this additional oil."

VERBAL RECOMMENDATIONS

~~XXXXXXXXXXXX~~ ATLANTIC REFINING COMPANY

Additional 2,000 barrels daily.

MR. STALEY - Lea County Operators

The 5 barrels per well applicable to all wells or to allowable wells capable of production?

MR. SPURRIER:

I imagine they mean the wells that can make it.

Mr. Staley:

How much would that be.

MR. KELLEY: 9,285 barrels.

SHELL OIL COMPANY:

Our position is this - at the time being we are building a pipe line into the State. We have all the oil we can handle with West Texas and New Mexico. We do not protest this increase in allowable, any additional made we would be agreeable to selling to the people providing they could take it.

MR. WATSON:

This is an outgrowth of the meeting held July 10, and further is it one of the purposes of this increased allowable to permit additional oil to go to the New Mexico refineries which now have a shortage - The New Mexico Asphalt and Refining Company at Artesia has a shortage of approximately 35,000 barrels per month, nearly 1,000 barrels a day and they have pipe line facilities to handle that additional oil - we would think in the event an order would be entered increasing the allowable we would like for the New Mexico refineries benefit to the extent they are capable of handling the oil.

MR. SPURRIER:

Mr. Watson, to answer your question this was an outgrowth of the informal meeting held July 10. That meeting was called because the Commission understood there was a possibility that gasoline shortage might become evident in New Mexico, and it is my general understanding that at that meeting when an increase in the allowable was mentioned - if the allowable was increased a substantial amount - the 10 or 13 thousand barrels recommended here today, the 1 or 2 or 3 thousand barrels which the refineries in New Mexico are apparently short would be supplied from that increased allowable. That is my understanding and I think the recommendation as a whole wants to be assured if the allowable is raised it will have an effect to the supply on the refineries in New Mexico.

MR. WATSON:

That answers my question, thank you.

MR. SPURRIER:

Any other questions or recommendations?

(No response)

COMMISSIONER MILES:

If there are no more questions or any other matter to be brought up before the Commission, the meeting is adjourned.

NEW MEXICO OIL CONSERVATION COMMISSION OF THE
STATE OF NEW MEXICO

IN THE MATTER OF THE PETITION GRANTED 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 FARRISS, 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 aforesaid:

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 valuable 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 shall 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 HEREBY ORDERED:

1. That the applicant, Walter McWhorter, Jr., do 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.

WITNESSED at Santa Fe, New Mexico on the day and year hereinafore designated.

OIL CONSERVATION COMMISSION

Wm. Mabry
John E. Miller
X. L. Gunderman

FRAZIER AND QUANTIUS

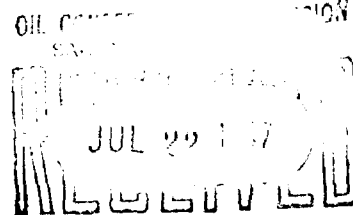
ATTORNEYS AT LAW

BOX 942

123 WEST FOURTH STREET

ROSWELL, NEW MEXICO

LAKE J. FRAZIER
LELAND M. QUANTIUS
D. A. CALDERON



July 19, 1947.

Hon. R. R. Spurrier,
Oil Conservation Commission,
Box 871,
Santa Fe, New Mexico

Dear Mr. Spurrier:

In line with our conversation, I send you herewith Original and copy of my ideas for an Order in case No. 104, Walter Famarris, Jr., which you will no doubt hand to Mr. Graham for his consideration.

Mr. Girand has sent me a copy of his proposed Order, but I am very doubtful whether the Commission should undertake to enter a general regulation of that type under the hearing held in this particular case.

It is further very doubtful whether it would be advisable to have treating plants of this kind begin operation without making application to the Commission for authority, since I believe that by requiring individual applications, the number of treating plants can be kept to a minimum, and thus be of less concern to the Commission.

I have also outlined a proposed new form which you and Mr. Graham can consider.

I enclose herewith notation of my expenses for the recent hearings.

I am sending you herewith forms of Orders in cases Nos. 100, 101, and 102, together with the letter from the Pecos Valley Artesian Conservancy District, showing the plugging of the well involved in case No. 100. It appears from such letter that the well is properly plugged, but of course you can withhold the order until one of your inspectors makes a direct report to you.

Sincerely yours,

FRAZIER & QUANTIUS

BY:

LAKE J. FRAZIER

LJF.:vw
Enc. 6

SUGGESTIONS FOR ORDER IN CASE 104, Walter Famariss, Jr.

FINDINGS OF FACT:

1. That substantial percentages of tank bottom waste, pit oil, gasoline plant "catchings" and other oil and waste not merchantable can be salvaged by proper processing thereof;
2. That continued destruction of such substances, which can be so salvaged from what has heretofore been regarded as waste materials, would constitute "surface waste" within the meaning of the laws of New Mexico, and the rules and regulations of the New Mexico Oil Conservation Commission;
- 4 ✓ 3. That the preservation and marketing of merchantable oil or other derivatives from such substances should be encouraged, and that any merchantable oil so saved should not be charged to the allowable production of any well in view of the uncertainty and variation as to what portion of any such substances can be saved and rendered marketable under existing processes;
- 5 / 4. That the New Mexico Oil Conservation Commission has jurisdiction of this proceedings, and that due notice of this cause has been given as provided by law; that this cause should remain open for such further orders as the Commission may from time to time deem proper or necessary;
- 5 / 5. That it is immaterial, so far as the Commission is concerned, whether or not, the above described substances are acquired for salvage by purchase, or by gift from the owner or owners thereof;
- 5 / 6. That the Applicant should be allowed to proceed with development of his salvage plant or plants in the State of New Mexico, but that no such substances should be removed, or attempted to be removed, from the State of New Mexico until all merchantable oil or derivatives have been salvaged;
7. That the Applicant should file with the Commission Form C-116, properly executed by the producer of all such substances, and by himself, giving all information required by said Form, upon delivery of any such waste substances to Applicant, and also upon completion of processing thereof;
- 7 / 8. That on or before October 1, 1947, the Applicant should file with the Commission complete data regarding the location of any

processing plant or plants to be operated by him in the State of New Mexico, giving detailed information as to the capacity thereof, and, after operations are begun, the Applicant should file with the Commission Form C-116 weekly, showing the salvage during each day of the preceding ^{month} week;

9. That in the event the Applicant fails or refuses to furnish the information required by the Commission, or violates the laws of New Mexico, or the rules or regulations of the Commission regarding oil or its derivatives, upon written notice by the Commission to Applicant of such failure, refusal or violations, the Applicant should cease all operations until such time as the Applicant may satisfy the Commission that he has complied with all of the provisions of this Order;

10. That the Applicant should file with the Commission a ^{Surety -} personal bond and a sworn financial statement, showing to the satisfaction of the Commission unencumbered assets totalling at least \$25,000.00, or a surety bond written by a company duly authorized to do business in the State of New Mexico in the penal sum of \$25,000.00, conditioned for faithful compliance with the laws of New Mexico, and the rules and regulations of this Commission, and further providing that the penalties provided by law will be promptly paid to the State of New Mexico for any violation thereof; that, if such surety bond be not furnished, the Applicant shall file with the Commission a statement, under oath, that he will promptly advise the Commission of any change in his financial status whereby his net worth may be decreased; IT IS THEREFORE ORDERED:

1. That the Applicant, Walter Famariss, Jr., be, and he is hereby, authorized to acquire tank bottom waste, pit oil, gasoline plant "catchings", and other oil and waste, not merchantable, by purchasing the same, or other bona fide method, and to process the same for the purpose of salvaging all merchantable oil or derivatives therefrom.

2. That said Applicant shall operate his processing plant or plants in the State of New Mexico, and shall not remove, or attempt to remove, any subh substance from the State of New Mexico until all merchantable oil or derivatives have been salvaged therefrom.

3. That he shall, on or before October 1, 1947, file with the Commission complete data regarding the location of any processing plant or plants to be operated by him in this State, giving detailed information as to the capacity thereof.

4. That after operations are begun, he shall file with the Commission weekly Form C-116, showing in detail the amounts of such materials received by him, and the sources thereof, said Form to be executed by the respective producers of such substances, and by himself; that he shall likewise file weekly with the Commission said Form C-116 showing the amounts of merchantable oil or derivatives saved and salvaged from such substances.

5. That, prior to the time operations are begun, he shall furnish to the Commission a personal bond conditioned as herein required, and a sworn financial statement showing, to the satisfaction of the Commission, assets located in the State of New Mexico, free from all encumbrances, in the sum of at least \$25,000.00, and shall further file with the Commission a statement, under oath, that he will promptly furnish to the Commission full details of any change in his financial status whereby his assets in this State, free and clear of all encumbrances, shall be reduced to less than \$25,000.00 or the Applicant shall, prior to beginning operations, file with the Commission a surety bond conditioned for the faithful compliance by Applicant with the requirements of law, and the rules and regulations of this Commission, regarding oil, or its derivatives.

6. That the Applicant file with the Commission an agreement, under oath, that in the event he fails or refuses to furnish the Commission with the information required by it by this Order, or violates the laws of New Mexico, or the rules and regulations of this Commission, regarding oil or its derivatives, upon written notice by the Commission to him, pointing out such vilation or violations, he

will immediately cease all operations until such time as he satisfies the Commission that he has complied with the requirements hereof in every respect.

7. That Applicant shall not transport, or attempt to transport by any method, any merchantable oil or derivatives thereof without proper Certificate of Compliance and Authorization from the Commission.

8. That any merchantable oil or derivatives so salvaged shall not be charged to the allowable production of any well from which any such materials may be received by Applicant.

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.

NO. 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000

The Oil Conservation Commission of New Mexico pursuant to law, hereby gives notice of the following hearings to be held July 15, 1947, beginning at 10:00 A.M., on said day at Santa Fe, New Mexico:

Case 104

In the matter of the application of Walter Fumariess 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.

Case 105

In the matter of the application of the Panhandle Carbon Company, Inc., for an extension for ten years of its permit heretofore granted November 27, 1944 respecting use of residue and/or flare gas in the manufacture of carbon black.

Given under the seal of the Oil Conservation Commission of New Mexico, at Santa Fe, New Mexico on June 31 1947.

OIL CONSERVATION COMMISSION

BY:

R. R. Spurrer

R. R. SPURRER, Secretary

NOTICE FOR PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

The Oil Conservation Commission of New Mexico pursuant to law, hereby gives notice of the following hearings to be held July 15, 1947, beginning at 10:00 A.M., on said day at Santa Fe, New Mexico:

Case 103

In the matter of the petition of the Leonard Oil Company, a New Mexico corporation, Roswell, New Mexico for authority to deepen Leonard Oil Company's State Well No. 8, located in Eddy County, New Mexico, 1177 feet north of the south line and 1230 feet west of the east line of Section 21, Township 17 south, Range 29 east to the oil producing horizon of that vicinity.

Case 104

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.

Case 106

In the matter of application of the Oil Conservation Commission of New Mexico, upon its own motion for an order, as recommended by the New Mexico Nomenclature Committee, supplementing Supplemental Order No. 6 to Order No. 633, and relating to overlap in defining boundaries of Loco Hills and Grayburg-Jackson pools, Eddy County, New Mexico.

Case 107

In the matter of the application of Barney Cockburn, for an unorthodox well location in Eddy County, in the NE $\frac{1}{4}$ SW $\frac{1}{4}$, Section 29, Township 17 South, Range 33 East, N.M.P.M., on State Lease B-2516 in connection with an application for unit operation.

Case 108

In the matter of the application of Southern Union Gas Company for approval of the Hope Unit Agreement, Eddy County, New Mexico, embracing the following lands:

Sections 17,18,19,20,29,30,31,32 and the S $\frac{1}{2}$ and NW $\frac{1}{4}$ of Section 33, in township 18 South, Range 24 East, N.M.P.M; Sections 4,5 and 6, in township 19 South, Range 23 East, N.M.P.M; Sections 13,14,15,22 23,24,25,26,27,34,35 and 36 in township 18 South, Range 23 East, N.M.P.M; Sections 1,2, and 3 in Township 19 South, Range 23 East, N.M.P.M., containing 17,120 acres, more or less.

Given under the seal of the Oil Conservation Commission of New Mexico, at Santa Fe, New Mexico on June 21 1947.

OIL CONSERVATION COMMISSION

By:

A. K. [Signature]

A. K. [Signature], Secretary

NOTICE FOR PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

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Case 100

In the matter of the petition of American Employers Insurance Company for an order directed to Charles R. Tarkenton, address unknown, W. R. Childers, Hobbs, New Mexico and Gene R. Burke, Hobbs, New Mexico to show cause why a well located in Chaves County, New Mexico in the SE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 33, Township 11 South, Range 25 East, N.M.P.M., should not be declared abandoned and ordered plugged.

Case 104

In the matter of the application of Walter Famariss Jr., for permission to purchase and process tank bottom, Pit Oil, Gasoline Plant "Catchings", and other Oil or Waste not otherwise Merchantable, and to sell the merchantable crude derived therefrom.

Given under the seal of the Oil Conservation Commission of New Mexico, at Santa Fe, New Mexico on June 27 1947.

OIL CONSERVATION COMMISSION

BY:

R. R. Spurrier

R. R. SPURRIER, Secretary

NOTICE FOR PUBLICATION
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OIL CONSERVATION COMMISSION

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Case 101

In the matter of the petition 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 DeBaca County, New Mexico, in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 11, Township 4 North, Range 26 East, should not be declared abandoned and ordered plugged.

Case 102

In the matter of the petition of American Employers Insurance Company for an order directed to San Juan Oil & Gas Co., Inc., 922 North Second Street, Phoenix, Arizona, G. R. Cassady, 922 North Second Street, Phoenix, Arizona, Arthur Wilson, Phoenix, Arizona, L. E. Snavely, 900 East Van Buren, Phoenix, Arizona, A. H. Vaughn, 2314 Oak St., Phoenix, Arizona, J. A. DeWar, 2138 East Yale Street, Phoenix, Arizona, to show cause why a well located in San Juan County, New Mexico, in the SE $\frac{1}{4}$ SE $\frac{1}{4}$, Section 19, Township 29 North, Range 11 West, should not be declared abandoned and ordered plugged.

Case 103

In the matter of the petition of the Leonard Oil Company, a New Mexico corporation, Roswell, New Mexico for authority to deepen Leonard Oil Company's State Well No. 8, located in Eddy County, New Mexico, 1177 feet north of the south line and 1230 feet west of the east line of Section 21, Township 17 south, Range 29 east to the oil producing horizon of that vicinity.

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Given under the seal of the Oil Conservation Commission of New Mexico, at Santa Fe, New Mexico on June 27 1947.

OIL CONSERVATION COMMISSION

BY:

R.R. Spurrer

R. R. SPURRER, Secretary

J. O. SETH
A. K. MONTGOMERY
OLIVER SETH

SETH AND MONTGOMERY
ATTORNEYS AND COUNSELORS AT LAW
111 SAN FRANCISCO ST.
SANTA FE, NEW MEXICO

June 13, 1947

104

Oil Conservation Commission
Santa Fe, New Mexico

Gentlemen:

Enclosed please find Petition of Walter
Famariss, Jr. for permission to purchase and
process waste oil, and dispose of same under
regulations to be established by the Commis-
sion.

Yours very truly,

[Handwritten signature]

JOS:AW
Encls.

BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION.

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 Merchantable,
and to Sell the Merchantable Crude
Derived Therefrom.

Case No. _____

PETITION

Comes now Walter Famariss, Jr., and states:

I.

That he proposes, subject to the approval of the Commission, to purchase tank bottoms, pit oil, gasoline plant "catchings" and other oil or waste which is not merchantable and can not be disposed of to the pipe line companies in the condition and at the location at which said material may be found; and to move this waste material by tank trucks to reclamation plants, situated at various points in Lea, Eddy and Chaves Counties, convenient for the processing of this material, which is now waste. He proposes to process same, and, subject to the approval of the Commission, dispose of the merchantable crude that he is able to derive therefrom, by means of his reclamation plants.

II.

That under present conditions all of the material above referred to is wasted, and to a large extent is burned.

III.

This Petitioner further states that he is willing to purchase, gather, process and dispose of same, under such reasonable regula-

tion as the Commission may fix, and subject at all times to the inspection and control of the Commission, and is willing to make such reports and do such other things as the Commission may provide.

IV.

Inasmuch as the production practice now in vogue, and the production schedules are all fixed on the basis of pipe line oil, it is suggested that the crude which this Petitioner may process and reclaim be not charged back to the allowable of the respective wells involved, but that said production be segregated to each lease insofar as possible, so that the producers may make proper royalty adjustment.

Petitioner prays that this Petition be set down for hearing before the Commission at a convenient date.

WALTER FARRISS, JR.

By *W. J. Farriss*

His Attorney.

June 11, 1947

Walter Famariss phoned from Hobbs to state an angle of the oil reclamation plan which he failed to discuss or bring up yesterday in his discussion with Mr. Spurrier and myself. The substance of this proposition is that if in the sale of gas to gasoline plants through gas lines, certain oil and sludge invariably gets in these gas lines. It is gathered in the gas line in various drips. That which goes on with the gas to the gasoline plant is what they term "docked out." That's separated from the gas and fluid gasoline and run into pits where it is burned.

This sort of waste oil is desired by Mr. Famariss, but represents a tougher problem than the tank-cleaning proposition because its ownership or allocation to a producer is impossible. There is simply no way to identify this definite waste product. Mr. Famariss estimates that this waste product could not be expected to produce more than 350 barrels of pipe line oil in a month.

Mr. Famariss stated confidentially that he knew of a specific instance where one man was buying this product and taking it across the line into Texas.

What Mr. Famariss wanted was for us to say it was o.k. for him to enter into contracts to tie up this character of oil. This, of course, I could not do.

George Graham

Mr. Spurrier:

On the basis of this information, will you, after considering the foregoing, write or call Mr. Famariss collect at Hobbs, probably Friday.

**PRODUCTION
MAINTENANCE**

Company

CONTRACTORS

CONNECTION CREWS

ROUSTABOUT GANGS

HOBBS, NEW MEXICO June 7, 1947

Mr. R. E. Spurrier
Oil Conservation Commission
Santa Fe, N.M.

Dear Mr. Spurrier:

The following is a plan being submitted for your consideration which we believe will result in the utilization of waste product in the oil fields.

If permitted by the New Mexico Oil Conservation Commission, Production Maintenance Company proposes to purchase, process and sell the petroleum waste existing in Lea, Eddy and Chaves Counties. Petroleum waste is a substance now destroyed by burning and is a product resulting from production of oil and is now destroyed. Waste accumulation is an unavoidable product of good production practices.

Waste results from several production operations. Some of the greatest accumulation is in tank bottoms. It is necessary from time to time to clean tanks of this waste. It consists of basic sediment and paraffine. Another waste product is brought about by the necessary treatment of wells with acid. Well-cleanings which consist of acid-sludge, drilling mud and water are run to pits and burned. In collection of gas for gasoline plants, there is an accumulation in the gas lines which is caught in drips and, at the gasoline plants, in pits. This particular accumulation consists of paraffine, basic sediment, water and small amounts of oil and distillate. It is our intention, if permitted, to utilize all of the above sources in our reclamation plants.

If permitted by the State, we propose to move this waste by tank trucks to our variously located reclamation plants situated wherever necessary to prevent destruction. The waste so hauled will be treated by the use of chemicals, heat and mechanical devices necessary to remove the waste and to recover a maximum amount of merchantable oil.

The recovered oil will be stored in stock tanks and run by pipe line in the same manner as oil is run from producing leases.

Several conditions must exist before the above plan can operate. Permission must be granted by the State to operate as proposed above or, revised by the State. The oil companies must be willing to sell this waste and pipe line companies must be willing to buy the recovered oil.

[illegible][illegible][illegible][illegible]

- Dear Mr. [unclear]
[unclear] [unclear] [unclear]
[unclear] [unclear] [unclear]

and that you will observe them in
careful detail.

4. That you will observe and follow the
present regulations of the New Mexico
Oil Conservation Commission and/or
any rules or regulations ~~for~~ issued
in the future.
5. That you agree to file as required
and all reports deemed necessary
by the Commission, Royalty Owners,
producers, pipe line companies and
other interested parties now and as
required in the future.
6. Waste oil so produced ~~will~~ ^{will} not
be charged against the producing
unit as regular allowable.

In abiding with the above you have
our permission to begin reclamation
operations in Sea, to lay out
Chuvash Ditches. It is our understanding
you will abide by all present and
future rules and regulations of the
Commission.

Several oil companies have been contacted and have expressed their willingness to sell the waste and consider this an excellent conservation measure. The oil companies favor the plan if permission is granted by the State and business is operated in a responsible manner and by responsible parties.

Three pipe line companies have been contacted and will furnish pipe line connection immediately after State approval.

Reference is made above to "buying" the waste from the oil companies. The reason for this is to assure a method by which the royalty owners, oil operators and tax agencies would receive proper revenue. Should the waste be given without consideration complications might arise from interested parties. All such complications will be eliminated by paying consideration for the product.

Our Company recommends that strict accounting methods be enforced. Any and all reports necessary or required will be filed in accordance with instructions issued by the Oil Conservation Commission, oil companies and/or pipe line companies. We would invite inspection of our properties, records and equipment by the above parties or anyone authorized by the State. If required, we are prepared to furnish bond.

Operation of a reclamation program would benefit financially royalty owners, oil and pipe line companies and furnish additional tax for the State. At present no one is afforded revenue and a natural resource of the State is being wasted. Operations would result in the establishment of a new industry from waste which would create additional employment and place new money in circulation in the State.

We are prepared to furnish proof of our ability to carry out the above program. References, which we believe to be acceptable, are available and it is our desire to operate within the limits granted us and in the manner dictated by the State. It is our opinion any party or parties asking this same permission should be scrutinized in like manner.

If permission is granted, we are prepared to erect our first plant immediately which would probably be located near Eunice where the greatest volume of waste now exists. Other plants would follow as quickly as possible after completion of first plant.

Please consider this as a formal application to begin operations in Lea, Eddy and Chaves Counties as outlined above or, as revised by the State.

Very truly yours

PRODUCTION MAINTENANCE COMPANY

Walter Famariss, Jr.
Walter Famariss, Jr.
Executive Partner

WF/tj

May 27, 1947

MEMORANDUM TO:

R. R. Spurrier, Secretary
Oil Conservation Commission
Santa Fe, New Mexico

Re: Reclaiming waste oil

The reclamation of waste oil as suggested in Morris D. Pool's letter, the oil industry considered is not very important in itself and, of course, is a "little man's" proposition. That such a business is possible, strongly indicates the existance of waste the substantial elimination of which is the joint responsibility of the oil industry and the Commission. If, however, the reclaiming of waste oil had any real economic basis in all probability, the producing companies would do their own reclaiming. Mr. Pool's plan, as he admits, would be feasible only during times of high-priced oil.

As I understand Mr. Pool's plan, he would by some process clean and reclaim B.S., emulsion, or waste oil from the bottoms of tanks and pits which is not taken into the pipe lines nor calculated by the producers in their various reports nor in the proration figures. If this waste oil is not used as Mr. Pool suggests, it will undoubtedly be burned or disposed of otherwise.

In a small way the reclaiming of oil would reduce physical waste measured by the amount of merchantable crude oil recovered, it would permit a "little man" to make a little money at present prices. As to these things, the Commission should certainly have no objection.

Viewed from the prevailing practices of the oil producers and the established requirements of the Oil Commission, and the Land Office in the matter of production reports and proration matters, it is conceivable that such a disposition of such waste oil would be burdensome in a measure far out-weighing benefits to be derived.

Page 2.

A producer of oil ordinarily disposes of his product on the basis of pipe line "run tickets." He reports and pays royalty on this basis and undoubtedly the proration schedules are calculated on the basis of merchantable oil. It is not clear at this time how "good crude oil" as reclaimed could get into the pipe line unless the well producing the same originally was not meeting its allowable.

Perhaps the production from several different wells contribute to the waste products in the general course of operations. It is conceivable that oil produced from State, private owned and Federal lands contribute to the product. In view of the fact that the Commission heretofore (Rule 16) considers such oil as unavoidable waste, it never has been considered as having an economic existence.

Assuming for the moment that the X Oil Company having met all of its obligation in the matter of reports to the Commission and observed its proration and royalty requirements in every required respect and having reported its production to the State Tax Commission and met its School Tax obligation on the basis of pipe line runs and thereafter disposed of waste products, it is not clear just what royalty or charge would be owing for such a sale. However, if there is any economic value to this waste oil, the State's part would probably be collected through the School Tax Division for Mr. Pool's privilege of engaging in business.

Should Mr. Pool go into the oil reclaiming business he would be, of course, required to take out the \$1.00 sales tax license and remit on a monthly basis to that division 1/2 of 1% of the gross proceeds of sales of his good crude oil which he could not sell until the Oil Conservation Commission authorized the entrance of this oil into a pipe line by some variation of the proration order. The Oil Commission, in addition, probably would require regular filing of Form 113 and probably a report of miscellaneous disposition on Form 110 on the part of the producer.

Page 3.

Without the Oil Commission taking cognizance of excessive waste and drawing appropriate rules for the disposition of this reclaimed oil, I do not believe that present royalty, interest, industry or production taxes are collectable excepting the school -- sale privilege tax. If, however, the waste oil situation is of special importance, the Commission has ample powers to set up special requirements.

GEORGE GRAHAM

GAG/min

NEW MEXICO
OIL CONSERVATION COMMISSION

GOVERNOR THOMAS J. MABRY
CHAIRMAN

LAND COMMISSIONER JOHN E. MILES
MEMBER

STATE GEOLOGIST R. R. SPURRIER
SECRETARY AND DIRECTOR



Santa Fe, New Mexico

Mr. Spurrier:

Possibly you will recall a discussion with Mr. Livingston and me regarding clearance for oil reclaimed from tank bottoms.

I am installing an oil treating plant for this purpose at Wink, Texas, at the present time and plan to instal a similar plant at Eunice as soon as everything can be worked out regarding clearance, etc. As I think you understand, this involves taking tank bottoms from tank cleaning operations, treating them to break down the emulsion, and running the reclaimed crude to the pipe line.

I should have liked to discuss this with you further, and am sorry I missed you this morning. If a hearing will be necessary to adopt the proper procedure, I should like to make a formal application in order to get the wheels moving. If you should want to ~~discuss~~ discuss it further before we take any positive steps, I shall appreciate a word from you as to when we can get together. At the moment, I am spending practically all of my time at Wink, and a meeting at Hobbs, in the event you are ever down there, would be more convenient than Santa Fe; however, I can arrange to meet you here at your office if you prefer.

H. N. Sweeney
421 Delgado Place
Santa Fe, N. M.
or
P. O. Box 115
Wink, Texas

T R U E C O P Y

609 East Lea
Hobbs, N. M.
May 19, 1947

Oil Conservation Commission
Santa Fe, N. M.

Dear Sirs:

If possible, we would like to obtain a permit from the State of New Mexico to establish and operate an oil reclamation plant in Lea County.

In the past, the accumulation of low grade oil in the bottom of storage tanks has been cleaned out by contractors using a small amount of this oil for the surfacing of roads but burning the greatest part of the oil as waste oil. As high as the price of crude oil is at the present time, it would be economically feasible for someone to conserve and treat this oil to the point where it would be good crude oil and could be bought by some company that is in the business of buying good crude oil.

If it is possible to obtain a permit to establish a reclamation plant, we would be willing to pay the State royalty on any oil so reclaimed and sold.

Very truly yours,

/s/ Maurice D. Pool

July 13, 1950

Mr. Charles Taylor
Gulf Oil Corporation
P. O. Box 661
Tulsa 2, Oklahoma

Dear Mr. Taylor:

We have your letter of June 28, requesting copy of transcript of Case No. 104.

It is our belief that Mr. Glenn Staley has an extra copy of this transcript in the files at Hobbs. Since we only have one copy in our files, we suggest you contact Mr. Staley. If he is unable to supply you, please let us know and we will have another copy prepared and forwarded to you immediately.

Very truly yours,

R. E. Spurrer
Secretary-Director

RRS:bw

ILLEGIBLE



PETROLEUM AND ITS PRODUCTS

GULF OIL CORPORATION

P. O. BOX 661 · TULSA 2, OKLAHOMA

GYPSY
DIVISION

Hobbs, New Mexico
June 23, 1950

Oil Conservation Commission
Santa Fe, New Mexico

Gentlemen:

In the latter part of 1947, a hearing was held to gather information relative to the gathering, treating and sale of crude oil tank bottoms by the Famariss Refinery of Monument, New Mexico, Case No. 104. In this hearing, I understand that it was established that it was legal and desirable for gasoline plants to place crude oil accumulations which came into the plant through gas gathering lines into channels of trade.

We have checked with the local conservation office and have been unable to obtain copies of the minutes of this hearing. If possible, it would be appreciated if you could furnish copies of the minutes of this hearing or if you are unable to do this furnish any information that you might have relative to handling of crude oil accumulations from gas gathering lines at gasoline plants.

Yours very truly,

Chas. Taylor
General Foreman

GP:pjt

In reply, please address Box 1667, Hobbs, New Mexico

BEFORE THE OIL CONSERVATION COMMISSION OF THE
STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION COMMISSION OF THE
STATE OF NEW MEXICO FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 104

ORDER NO. 726

THE APPLICATION OF WALTER FAMARISS, 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 aforesaid:

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 valuable 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 Samariss, 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 law 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

CHAIRMAN

/s/ John E. Miles

MEMBER

/s/ R. R. Spurrier

SECRETARY

October 4, 1979

Mr. W. D. Girard
Real and Mutual
Real Building
Hobbs, New Mexico

Dear Mr. Girard:

We are in receipt of the application for renewal of permit for Walter Pizarro, Jr.

We will direct our Hobbs representative to make an inspection of this plant and report his findings to this office, with particular reference to Paragraph 2-a of Order 737. Upon receipt of a satisfactory report from our Hobbs representative, we will immediately advise regarding the renewal of the annual permit.

Also, we must have approval from the bonding company that they consent to be bound, and all rules and regulations must be complied with.

When these conditions have been met satisfactorily, the permit will be issued, without a hearing.

Very truly yours,

STATE OF NEW MEXICO
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

10/10/79

R. L. S. Under
Secretary-Director

Re: Will you please check the Pizarro plant, particularly with reference to contents of Section 2-A of Order 737. Please supply us with a written report and recommendations as to whether or not Pizarro should be granted above mentioned renewal permit. Pizarro must also contact the bonding company and have them file a consent to be bound.

ILLEGIBLE

TO ALL OPERATORS:

On September 17, 1947, a hearing was held by the Oil Conservation Commission of the State of New Mexico at Santa Fe, New Mexico. Attached, hereto, you will find a copy of the Notice of Publication and the number and outline of the cases heard at that meeting.

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, was heard. Oil company representatives and the representative for the Lea County Operators felt that Case No. 110 would to some extent effect every operator in Lea and Eddy County to such an extent that the Commission was requested to recess the hearing of Case No. 110 until October 15, 1947, in order that each company wishing to do so could appear before the Commission and state their views relative to the processing and disposition of B.S. & W. from field tanks in Southeastern New Mexico. This request was granted.

Contained herein in addition to the Notice of Publication of the hearing held September 17, you will find a copy of Order No. 726, Case #104, issued to Walter Famariss, Jr., for permission to purchase and process tank bottoms, pit oil, gasoline plant catchings, etc. Also a copy of the petition presented to the Commission by Hardin-Houston under Case #110 together with a proposed order presented by Hardin-Houston pertaining to tank cleaning, plants processing tank bottoms and recleaning of waste oil and transportation of tank bottoms and waste oil.

GLENN STALEY

LEA COUNTY OPERATORS COMMITTEE
SEPTEMBER 19, 1947



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 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 $\frac{1}{4}$ NW $\frac{1}{4}$ 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.

Case 111

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.

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.B. SPURIER

R.B. SPURIER, Secretary

LEA COUNTY OPERATORS COMMITTEE
SEPTEMBER 10, 1947
HOBBS, NEW MEXICO

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 percent 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 oilfields of New Mexico this salvageable oil is being destroyed by burning or dumping upon lease roads and lease properties.
6. That in order to process and save the salvageable 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 commingling 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 & GIRARD

By _____
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 ____ day of July, A.D., 1947.

NOTARY PUBLIC

My Commission Expires:
February 12, 1951

G/ls

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 bottoms; 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 date 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 net 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 transporters 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.

(c) "Tank Bottoms" is hereby defined as the accumulation of hydrocarbon and other substances which settle naturally below crude oil, and which contain at least two per cent basic sediment and water, and which occupies not more than the space below the pipe line outlet, and in the case of the lease production tank, not more than the lower eighteen (18) inches of said lease production tank to be cleaned.

(d) "Treated Tank Bottoms" shall mean the recovered product from the treating, reclaiming, processing or cleaning of tank bottoms. This term shall be used by treating plants in the application for tenders.

(e) "Transporters" shall mean any conveyor by tank truck or pipeline of tank bottoms, pit oil, or pipe line break oil or wash-in oil, who transports any of the above enumerated substances from their location as such to any treating plant, common purchaser, or refinery.

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.

OIL CONSERVATION COMMISSION OF
NEW MEXICO

LEA COUNTY OPERATIONS COMMITTEE
HOBBS, NEW MEXICO
September 10, 1947

BEFORE THE OIL CONSERVATION COMMISSION OF
THE STATE OF NEW MEXICO.

IN THE MATTER OF WALTER
FAMARISS, JR.

APPLICATION FOR RENEWAL
OF PERMIT.

CASE NO. 104

COMES NOW Walter Famariss, Jr., by and through his attorneys of Record, Neal & Girard, of Hobbs, New Mexico, and files this his Application for Renewal of his permit to operate a processing plant for the processing of tank bottoms and reclaiming of waste oil and the cleaning of tank bottoms and for cause would show:

1. That heretofore, to-wit: on or about the 15th day of July, 1947 this Commission entered its Order in Case No. 104 authorizing the applicant to operate as a tank cleaner and to reclaim and process tank bottoms and waste oil, and that said applicant has been operating under the Order entered in Case No. 104 at all times since said date subject, however, to the provisions of General Order No. 787 entered by the Commission.

2. That the Commission entered its Order No. 787 on September 29, 1948, which among other things required the renewal of permits annually but failed to provide any mode or procedure for the renewing thereof.

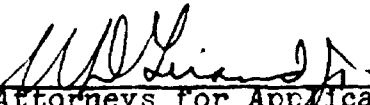
3. In this connection applicant would show that he has made all necessary and required reports and has complied with all laws of the State of New Mexico and all rules and regulations relative to the subject matter covered by the permit.

4. Applicant further shows to the Commission that he is able and qualified to perform all the services authorized under the permit and has been so engaged for more than two years and to lose the right to continue operating would result in a financial loss to applicant.

WHEREFORE, Applicant prays that the authority granted applicant in Case No. 104 be continued and extended for one year from and after October 15, 1949.

WALTER FAMARISS, JR.

BY NEAL & GIRAND,

BY 
Attorneys for Applicant
(Hobbs, New Mexico)

BY JUDGE SETH:

If the Commission please, the purpose of this is to get authority to purchase crude that is really being wasted - oil that is run into the pits at the time of the completion or acidation of the well and the catchings from the gasoline lines that has some purities in it. Mr. Famariss desires to show that he can purchase that oil at a price which he will discuss. The recleaning the oil and selling it needs the action of this Commission to make it legal oil. Petroleum in the pit is burned to get rid of it. The tank bottoms are just wasted. We believe a considerable amount of crude can be saved and sold - it is a matter of establishing a safeguard and has to be done pretty carefully, the regulations should be worked out with care and in the case of Mr. Famariss he is willing to post a bond of considerable amount.

(Examination of Mr. Famariss, Jr. - after being duly sworn)

JUDGE SETH:

State your name please.

MR. FAMARISS:

Walter Famariss, Jr.

Q. Where do you live?

A. Hobbs, New Mexico

Q. What is your business?

A. I am an oil field contractor.

Q. You filed the petition here to be permitted to purchase and purify and sell certain wasted crudes - is it feasible, take, for instance, first the oil run into the pit, will you describe to the Commission what that amounts to.

A. Briefly, the oil which is termed pit oil in the producing field results from the completion or work over of wells in the treatment of wells with hydrochloric acid out of the lime formation through oil which is used or comes from production or is used to acidize in the well, the whole mass or commonly used in emulsification which is not merchantable products. The quantity of this oil varies, no exact amount you could set would come from wells. As an average we believe there is sufficient oil to justify going out there and picking up this oil and transporting it to a reclamation plant, cleaning it up and selling the merchantable crude derived therefrom. This single item probably represents the greatest destruction of hydro-carbons in the oil fields.

Q. How is it handled?

A. Burned principally, another method it is used for oiling roads

Q. The cleaning of the tank bottoms - will you explain what is involved there?

A. In tank bottoms, which might vary from 13 to 64 barrels in production, they are taken below the pipe line connection where there is mass fluid. Normally pipe line companies will stop withdrawing oil from that tank when the pipe line oil is 4" from the connection. That would mean there is 4" of oil in there below that is emulsion of some type, some that is free water. The procedure at the present time - my idea is this is drawn off by tank cleaning outfits. It is disposed of in like manner as I described pits - that is, by burning or disposal under the lease oil fire wall tank grade or road. It is a waste of hydro-carbon.

Q. What about the gasoline plant catchings?

A. Scrubber oil, the greatest volume of that probably results from sticking of float valve and separator when the well is flowed into the separator instead of the oil going into the stock tank as it should, there by

virtue of a float valve stick, the oil will go down the gasoline plants gathering oil. They cannot and don't want this oil, they destroy it or dispose of it in some manner. It is probably a higher quality of fluid than the tank bottoms or pit oil.

Q. Mr. Pamariss, in your judgment can these various waste products be transported to a recleaning or reclamation plant and the pipe line crude extracted from it.

A. I believe the various methods now available to the industry will permit the reclaiming of the oil which in years gone by was not possible.

Q. Have you had experience with this reclamation?

A. I have, yes.

Q. Have you the equipment or can you get it?

A. The equipment has not been purchased, however, it is available and the plant could be in partial operation within 30 days.

Q. Have you any idea of the amount of pipe line crude that might be reclaimed from these wastes?

A. Due to the fact that there is not what is called a tank cleaning plant - cleaning permit in the State of New Mexico, my estimate would be (and it is probably wrong) there is available in Lea County somewhere around 7 to 8 thousand barrels of emulsified fluid per month.

Q. How much of that would pipe line crude?

A. The amount would be recovered - pipe line oil - would be varied from the source from which it was obtained. In the tank bottom the best I have been able to recover is roughly 50% of the volume of the tank oil. In pit oil that is variable cases; if it rained your percentage would be lower than in hot weather. I would give an estimate of 60% - 40% of it would probably be salt water disposal. Scrubber oil - the gasoline plants - it would improve above those two. A fair estimate would be 75% of the scrubber oil and 25% roughly would be disposal.

Q. In your view then, 4, 5 or 6 thousand barrels of pipe line crude might be recovered.

A. It is entirely possible.

Q. The process of reclamation, the crude involves the heating of the mass.

A. It depends upon the type of emulsification you are installing, some require heat, some chemicals, some acidation and some two or three of them.

Q. The application of heat particularly, would lower the gravity of the crude?

A. It certainly would.

Q. The crude you would reclaim would probably be considerably lower gravity than what was produced through the well into the tank?

A. Absolutely.

Q. Are you in a position, financially, to begin this procedure if the Commission so desires?

A. I can furnish the Commission with substantial resources, proof of them.

Q. Are you willing to give bond?

A. I am not only willing to give bond, but ask that the Commission include that when they give permission for any reclamation plant - that they be required to post a bond in the amount of \$50,000 for the handling of this emulsification.

There is another purpose in that there are people who cannot get bonds, those are the people who you don't want in this business.

Q. If the Federal Government would require a separate bond you are willing to comply?

A. Yes, sir. I would do that also.

Q. Have you any idea of what system should be followed when you purchase pit oil - did you say this purchase should be shown something in the nature of a Bill of Sale on the Commission's form and a copy filed with the Commission?

A. My suggestion in regard to that would be that I, as a reclamation plant owner, would be required to furnish the producing company with a carbon copy to the Oil Conservation Commission and a copy for myself, what would in my judgment normally termed a pick-up ticket. It would show the gross barrels of fluid picked up, the exact tank number or the well number in which the pit exists or the gasoline plant name if it is scrubber oil - I would urge a complete identification of the oil.

Q. Then when you completed it, what procedure should be followed with respect to your selling the oil?

A. I should then be required to send a supporting report to the Commission indicating the gross barrels of fluid taken into my plant within a calendar month, the number of gross barrels would be supported by these pick-up tickets, which would eliminate the suspicion of having obtained oil which did not have identity or exactly as given. I would propose it give the amount of sales to the pipe line company, the number, date and barrels of oil run. This report should also reflect the amount of water or other disposal. I would have gross receipts, net sales and net disposal. In that way it appears to me complete control over the fluid taken into the plant would be accounted for.

Q. In other words, you would account at least in your sales of pipe line crude and disposal of refuse, a volume equal to what you have taken in on these run tickets?

A. It would be a great percentage less than taken into the plant.

Q. What you took from the pipe line and what you dispose of should amount to the run tickets?

A. Yes, sir.

Q. Is this waste oil, in your opinion, of some economical value at this time?

A. At this time it is of no economical value.

Q. If you had permission to work on it?

A. Yes, sir, it would be.

Q. In your opinion should the producing companies be paid for this product?

A. It is my opinion that is the only practical method by which a reclamation plant can operate.

Q. It is your opinion they should be paid so that the royalty owner could get the benefit as well as the producing company?

A. That is right. In the missionary work I have done over the past two months with major companies in regard to this, they have expressed their opinion it is a royalty owner's liability when any hydrocarbons are removed from their lease. The royalty owner would be entitled to his percentage of whatever would be paid for the removal of the waste.

- Q. Have you some idea on how these payments should be computed?
- A. I have a suggestion which can only prove to be correct or incorrect by experience. It seems an amount of 25¢ per barrel could be paid for tank bottom, 40¢ per barrel for pit oil, Scrubber oil would have to be treated as an individual case because of the wide variation of contamination. However, it would be higher than 40¢.
- Q. But your idea is to enter contracts that the price you pay, that it fluctuate with the price of crude?
- A. I believe it is necessary the price fluctuate with the price of crude oil, in that regard I am suggesting the prices I have quoted be tied to 20 gravity crude as now in my area.
- Q. You would have to make individual contracts with the producers?
- A. Yes, sir.
- Q. Would you be in a position to work over the pit oil for a producer?
- A. It is not much difference - whether I work it over for the producer or for the reclamation. I can set up a satisfactory price for treating oil for the producing company, which price would include a price comparable to the price I would receive from the reclamation. I would say 15¢ per barrel.
- Q. You believe this 7 or 8 thousand barrels per month of this waste stuff could result in a large saving of crude that might be disposed of as pipeline crude?
- A. I believe it is good conservation.
- Q. As I understand it, the pit oil would be available at a well only once or twice in two years?
- A. It would be available first on the drilling of the well and might be in case of working over that well it later would—
- Q. In other words, no definite schedule in which the oil might be run into the pit?
- A. No, sir.
- Q. Then you think it should not be included in the allowable?
- A. It should be excess to the allowable.
- Q. Not charged to the allowable?
- A. That is right.
- Q. The tanks fluctuate a lot?
- A. An average tank cleaning is probably once a year.
- Q. The value in the tank would vary greatly?
- A. Yes, sir - it would.
- Q. Any trouble with paraffin?
- A. Considerable trouble in certain areas. Instead of emulsification you will find a thick paraffin fluid which will not move off from the tank.
- Q. As I understand it, you are willing under any reasonable regulation the Commission would make, and secured by bond to force your complying with the law to undertake this project and try to reclaim this fluid?

A. In summarizing, I do not believe mentioned in the past, any of these waste products should be charged against the allowable of the unit. I believe anyone in my type of business should be required to pay for the crude or waste products so there would be protection for the royalty owner. I have word from two major companies if they were not purchased they would not participate because of royalty liability. I have contacted and discussed with some 15 or more major companies and have not had reverse reaction. Beyond those two items which I have cited, there - it is my desire that the Commission make their ruling as hard and tough as it can be made. We all realize the danger involved in an industry of this kind - a practical regulation I believe is the thing we need in the regulation, including the making of bond.

Q. That is all.

COMMISSIONER MILES:

Any of these products being produced now?

A. Not that I know of, I cannot specifically state.

MR. SPURRIER:

Aren't they being produced in Texas?

A. Yes, sir. A plant in Odessa. At the present time many of the companies are now producing their own oil. It is costing a small percentage of the price they can get from the oil. They consider it good conservation.

MR. W. D. GIRAND:

I would like to ask Mr. Famariss some questions.

You say you are in the oil field construction business at Hobbs?

A. Maintenance and construction.

Q. Do you operate a tank cleaning outfit at this time?

A. I do not.

Q. Is it your proposal you will operate it?

A. I do not propose to operate a tank separating outfit, if I can work I will operate with the tank cleaning companies.

Q. You propose to pay for this oil?

A. I do.

Q. How will you arrive at the recoverable oil in a lease?

A. I do not propose to arrive at it - I am purchasing waste products.

Q. You propose to pay for that waste?

A. I do.

Q. You will pay for it on the quantity received from a particular lease?

A. Free water excepted.

Q. You are going to buy that from a transporter?

A. I will not buy oil from a transporter, I will only deal with the producing company; securing what I need.

Q. You are not going to set yourself up as a common purchaser?

A. You will have to clarify that.

Q. You will buy waste oil?

A. From any producing company.

Q. Or individual?

A. No, sir. I will not buy from a transporter.

Q. Individual lease owner?

A. If an individual lease owner is a producer, yes.

Q. Where do you propose to build your plant?

A. At the most advantageous spot where the fluid is now available.

Q. Do you know where that is now?

A. I do.

Q. Where is it?

A. I don't think that is relevant.

COMMISSIONER MILES:

Let me hear the question again.

Q. I asked where he proposed to build this plant.

COMMISSIONER MILES:

You do propose to build it in New Mexico?

A. Yes, sir, in New Mexico and Lea County.

MR. SPURRIER:

Have you ever treated any oil?

A. Yes, in Andrews County, Texas.

Q. Are you operating a treating plant there?

A. What is known as a portable steamer.

Q. You use a portable steamer?

A. The Fullerton Oil Company of California, where considerable acidizing

work is done in Andrews, Texas, I proposed to the men they no longer burn their pit oil, but permit me to go out and pick that oil up, scrub it, clean it and transfer it to their stock tanks. They have seen it as a good conservation practice and in such an operation they are charging that against allowable.

Q. That is a rule in Texas it is charged against the allowable of the well?

A. Yes, but most companies burn it.

Q. If I understand you correctly, all you ask of this Commission is for them to set down certain general rules and regulations governing the processing of waste oil.

A. With the provisions which I have thoroughly stated, and I believe necessary to good operations.

Q. Those provisions being payment of a certain amount - - -

- A. charges against allowable, the necessary protection for the oil owners, the posting of a very substantial bond by me with the state and federal government, and to make every other provision that will result in clean operations of a suspicious business.
- Q. If you get your order here authorizing you to purchase the waste, you will expect the Commission to give you the dope on pipe line oil?
- A. Yes, sir.
- Q. You have the right to go out and buy this waste oil now.
- A. I know of no right by which I can go out and buy hydro-carbons.
- Q. What kind of plant do you propose to construct?
- A. Heat, chemical and mechanical.
- Q. All those plants uniform in construction?
- A. Similar, not uniform.
- Q. You have such a plant in operation in Andrews?
- A. I did not say I had one in Andrews, I said I had a portable steamer which is serving a producer in cleaning up his own oil.
- Q. So far you have never operated a reclamation plant, is that right?
- A. No one has ever operated a reclamation plant in New Mexico.
- Q. Have you ever operated one anywhere else?
- A. I have never operated one in Texas or any other place, but I am completely familiar with emulsification of oil.
- Q. In order to clarify this payment - as I understand it you are going to pay on the volume of emulsification you have picked up.
- A. Free water excepted.
- Q. How do you propose to gauge that?
- A. In the same manner the pipe line companies gauge their run tank, the initial procedure will more than likely be to pull off, by method already determined, the free water from the bottom of the tank when the emulsification starts coming it will be put into a pit or my transport.
- Q. Do you transport at this time?
- A. They are available on the market. I will not get one until I get an order from the Commission to process oil.
- Q. It is your opinion about 75% of the emulsification you will take to your plant will be pipe line oil?
- A. I did not ever make that statement.
- Q. What is your opinion?
- A. In my test experiments I find no more than 50% of an emulsified tank bottom recovery, I have found no more of pit oil that is beyond 60% recovery. I will qualify that by stating every one is an individual case. The first pit might be 80% or 20%, your scrubber oil might be as low as 20%.
- Q. How do you propose to keep the Commission informed as to the amount of recoverable oil from place to place?

A. There is no manner by which the recoverable oil from place to place can be determined. The thing is to see that I do not have more pipe line oil than I have gross receipts.

Q. It gives you a lee-way to run 100% of your pick-ups.

A. No.

Q. Your tank can be 80% and - - - - -

JUDGE SETH:

Mr. Girand would you state who you are representing?

MR. GIRAND: Hardin-Houston Tank Cleaning Company.

MR. GEORGE GRAHAM:

I understood you expected to charge for this waste oil - if another tank cleaner wanted his oil cleaned could you do it?

A. If a producing company, in lieu of selling me the waste, would engage me to clean his oil.

Q. You wouldn't process for some tank cleaning company?

A. No, sir. Only a producer - producing companies and pipe line companies.

Q. You stated you wouldn't purchase from a tank cleaning company.

A. No, sir. Only a producer.

Q. You stated you would serve producing companies only.

A. Yes, sir. I think in your question you were citing the liability involved in me as a processor and someone else as a tank cleaner.

Q. I got the idea another tank cleaner might have some waste products, and he could bring them to you for service charges.

A. I frankly will stay completely out of any tank company.

MR. GIRAND:

What will be the capacity of the plant you propose to build?

A. It will be designed to equal the volume of fluid handled.

Q. How much is going to be the capacity of the initial plant?

A. If you had 5 cows you would buy a small separator.

Q. How much have you bought at the time?

A. I have bought none because I have no permission of the Commission.

Q. What will be the capacity of the plant?

A. Equal to the gross fluid.

Q. What will be the gross fluid you will take out of the territory?

A. Your guess is as good as mine.

MR. GRAHAM:

We have no objection so far as the particular application is concerned.

MR. NEIL WATSON (Representing the Artesia Pipe Line Company)

Mr. Famariss, in purchasing this oil from the operator or producer, what evidence what title or ownership will you require?

- A. I will have a form, which is satisfactory to the Commission, for tank cleaning with an affidavit attached to the bottom of it. That, in my opinion, should constitute title.
- Q. Is it your idea Mr. Famariss to pay the operator on a 100% basis for the emulsion you purchase.
- A. There will be no grade of the emulsion purchased - except the provision I cannot pay or transport free water.
- Q. Do you intend to pay the producer or operator for all the oil or emulsion purchased and expect him to pay the division of that payment or do you intend to pay individually to each one?
- A. That question has come up in my contacts with the oil companies, I am prepared to set up whatever is necessary to satisfy the royalty owners. Most of the companies propose to handle their own royalty payment.
- Q. What do you propose to do with this oil after you have treated it?
- A. It is my intention to sell the oil to pipe line companies - I do not intend to refine or top or crack.
- Q. In selling to a pipe line company will you expect them to make payment to you on 100% basis?
- A. If I sell the 100% pipe line oil, yes.
- Q. In that case are you in a position to make some identity bond to protect them on the division of the purchase price?
- A. I am.

COMMISSIONER MILES:

Anybody any questions?

MR. SETH:

We have no further questions.

MR. GIRAND:

I would like to make a statement.

It is my opinion the Applicant has the authority to do exactly what he is asking to do here without the benefit of the Commission. The waste is property and property can be transferred without the benefit of the Commission.

The question that is raised by this application is the question of providing for the processing product. That is the recovery oil that the applicant expects to get from the pits that he is to take into this plant - it strikes me the Commission should enter a general order that would be applicable to all tank cleaners, transporters and all processors of this waste oil. There is no doubt but what the State of New Mexico should preserve and conserve this product at all recoverable points, but it is my opinion the Commission should set out a rule for tank cleaners requiring reports so that this Commission at all times in the State of New Mexico would be protected against the running of hot oil. If this application is granted the man is to buy emulsion - his next request of this Commission is to run the oil. Where is the Commission's check of this oil - I believe if the Commission should enter a general order to require the tank cleaners and operators to report to this Commission the volume of emulsion removed from any pit tank, particularly removed from any lease, and the disposition of that processing, so that the processor in turn may make a report to the Commission of the amount of emulsion received and by whom - how much oil is recoverable I am not in a position to state - it is certain the State of New Mexico should not run over 100% of the waste.

JUDGE SETH:

It is our opinion this should be controlled by the Commission from the time of its purchase - the time it is taken out of the tank clear to the disposition of the oil; that they should be required to balance the volume at all times under the supervision of the Commission and under a heavy bond. We don't want any hot oil run into these tanks, we want careful supervision of the Commission.

By submitting what the man processes and the check on everything that goes through the plant, that is the only way in my judgment the Commission can hold everything under control. It is a matter that has to be safeguarded by the most rigid requirements the Commission can have. Anyone goes out and buys pit oil and has to be handled like any other type of product produced from the lease -

Mr. L. J. FRAZIER:

You are not in favor of purchase of the waste fluids?

MR GIRAND:

Yes, sir. My position is that there is absolutely no way in the world where a producer can allocate or show how much recoverable product is produced from his lease. Through an ordinary tank - a 500 barrel tank will produce about 33 barrels of waste at the time the pipe line turns the tank down. From that you might be able to recover 6 or 7 barrels of fluid - all depends on the particular well and tank. It is economically impractical for a producer to take one tank or tank battery and take them into his processing plant and re-produce that amount of oil.

I believe he says here there would be approximately 7,000 barrels of waste per month - that being true you can run about 500 barrels in a 24 hour period, so you would have an idle plant for a long time during a month on a 500 barrel daily capacity. It is my opinion if this Commission changes its prior regulation and this waste is not waste anymore - when the price of oil goes down the question will come to every producer whether or not he will have to put in a recycling plant for each lease and recover the oil that is marketable from it - because we are now establishing a market for this oil - he is supposed to operate his lease and produce it to the best of his ability.

MR. FAMARISS:

There seems to be an insinuation that the processing companies will be paid concerned with the amount of reclaimed oil. If you will recall, I have made no commitment to account to the producing companies for the reclaimed oil. I am purchasing an emulsion, how I handle that emulsion will depend upon the ability I have and efficiency as a reclamation plant operator. There is no agreement between the producer and me as to how much reclaimed oil - I am offering to purchase a mass. In case to what will happen in case the price of oil drops - in prices I have proposed these prices be tied to 20 gravity oil at its present marketable price, and that my price fluctuate as does the price of 20 gravity crude.

COMMISSIONER MILES:

Anything else to say - I don't know, I am not familiar enough to know, but is it your thought it should be processed or should not be processed.

MR. GIRAND:

It should be processed, but to make it a removable product this Commission does not have the manpower to properly supervise it. I am not making any accusation against the Applicant but think we would be opening the door for fraud. Any shady operator can turn over his waste oil and it may run 100% pipe line oil - if so as you make it marketable why not turn your well into the pit. It has been waste heretofore in New Mexico and has not cost the royalty owners a great deal, if any, and it should remain waste. Because of the complications that will arise by making it a salable product.

MR. FAMARISS:

The attorney has a good question. One of the large oil producing states in this country has faced the same problem - in one field it was found they were cleaning tanks every 18 days. The ruling has been passed where they have been permitted to clean their tanks once a year. Any cleanings beyond that is either done by special permit or the bottom is charged back directly against their allowable which has resulted in very satisfactory control.

MR. H. N. SWEENEY - Permian Oil Company.

On this last comment of Mr. Famariss' - I happen to be quite familiar with that. There is a hearing this Friday (July 18, 1947) in Austin on the matter of relaxing that particular regulation, for this reason, that is applying only to East Texas District and there has been so much complaint from the operators - some fields the tanks have to be cleaned more often than once a year, in this particular case instead of having their tanks cleaned they would more or less run them surreptitiously and burn their oil, got to be a standard practice and the State had to take cognizance of it. In the Odessa District alone they have three inspectors - Midland, Wink and Crane. The cost has been so excessive over the advantages this hearing Friday is to consider the matter of releasing the regulation. It has been a handicap, encourages the disposing of waste products rather than gaining some sort of recovery from it. It is a realistic viewing of it rather than a theoretical.

COMMISSIONER MILES:

Anybody else any information regarding this matter?

MR. SPURRIER:

I think I may have missed a point, but how will you determine who gets the royalty on the gas getting by the gasoline line?

MR. FAMARISS:

The fellow - pump production man - on the lease who has allowed that float valve to stick, through his negligence or over-sight, will never admit his act but it shows up at the gasoline line and they have no manner of determining it. There is no satisfactory method by which this can be identified. Gasoline plants have no control over it whatsoever.

MR. SPURRIER:

I wonder if one of you gentlemen can give me the Texas attitude on this percentage business. How do they check on an operator and feel satisfied he is not producing more oil from the tank than it contains.

MR. SWEENEY:

On each tank cleaning permit granted to the State the inspector is required to go out and inspect that tank and ascertain the fact that it is emulsion and not crude. Most inspectors through necessity cannot cover all the tanks cleaned. Most of them sign the permit without inspecting the tank. A monthly report is required of the tank cleaning plant showing the origin of the oil and total runs of the pipe line. The percentage will vary in some areas, but I think it comes from those monthly reports - can fairly well determine what the plant is doing. When it starts over the plant isn't efficient and they know there is something funny somewhere. I agree if you make it a marketable product it will be a detriment rather than help in disposing of these products - you have a number of plants you won't get but 4 or 5 barrels of oil, and a plant set up to purchase that oil cannot afford to go out and get it, but a tank cleaner can afford to take the product in and treat it. There going to be a lot of tanks the waste won't be removed from it.

MR. FAMARLES:

It is my proposal that I treat all producing companies alike. I intend to serve the industry so far as the product is transported from the tank or pit is concerned, that is to be my problem in establishing my plant within a practical transporting distance. I do not intend to make exceptions.

MR. GIRAND:

Mr. Famarias at this time you have neither plant nor transporting equipment, is that right?

A. That is exactly right.

Q. The proposal in which you propose to operate - where did you get your information of the cost?

A. I have not spent 18 years in the oil business with my eyes closed.

Q. If you will explain where you got your information, as to how you would operate your cycling plant -

A. I could do it but that will take hours - I am capable and have the experience.

Q. You tell this Commission you will operate as a common purchaser?

A. That is right.

Q. In that regard you will be a common purchaser - you have had no experience in operating one of these plants.

A. I have had considerable experience in cleaning of emulsified oil.

COMMISSIONER MILES:

Let me see if I understand - so long as he proposes to do this or does it will we be concerned with that?

MR. GIRAND: It is my opinion the Oil Conservation Commission of New Mexico was set up for conserving natural resources of the State of New Mexico - the Commission is granted, through the Act, the authority to regulate and conserve the waste of its natural resources.

JUDGE SETH:

There is no doubt about that and no doubt the oil lawfully recovered can be lawfully sold unless this Commission authorizes this.

COMMISSIONER MILES:

You believe the oil should be processed?

MR. GIRAND:

It should be.

COMMISSIONER MILES:

How do you believe - you think it should be given to the tank cleaners then processed, you do not believe in purchasing it?

MR. GIRAND:

I don't believe it ought to be set up as a marketable product, this waste oil.

COMMISSIONER MILES:

After it is processed.

MR. GIRAND:

I don't believe the processor should have a right to run oil. The State of New Mexico oil is not equal to the emulsion that is processed.

JUDGE SETH:

It is this Commission's duty to protect the royalty on it.

MR. GIRAND:

Mr. Seth, I ask how do you propose to account to the royalty owners on the waste?

JUDGE SETH:

If he pays 50¢ per barrel on it that is all they get. Let him buy it under contract with the producer and pay for the emulsion.

MR. GIRAND:

Then your shady operator can produce his allowable from his well at the posted pipe line price and the royalty owner is paid on the 50¢ per barrel and your royalty owner is not protected.

JUDGE SETH:

The Commission can protect that, we are willing to secure a bond for that.

MR. WATSON:

Have you made any investigation to determine whether or not the State of New Mexico and the Federal Government, in case of federal leases, would accept this royalty reserved in the leases on the basis of 25¢ or 40¢ per barrel.

JUDGE SETH:

No sir, I have not.

MR. WATSON:

You do not know then whether the payment of that amount to the producer, whether the lessor would accept payment of its royalty interest on that same basis?

MR. FAMARISS:

They are now not raising any objections to getting nothing for it, if they get something it is more than they are getting.

MR. WATSON:

Have you made any investigation in that?

A. No, sir, I have not. Should the Commission grant me the permission asked I will go into that.

JUDGE SETH:

In the case of the Federal leases, all these contracts have to be submitted to the Federal supervisor and you present them to the State also?

A. Yes, sir.

COMMISSIONER MILES:

Whenever that emulsified product is cleaned would it become the property of the tank cleaners?

MR. GIRAND:

It is their obligation to get it out of the tank.

COMMISSIONER MILES:

That becomes the property of the man who has the contract for cleaning the

MR. GIRAND:

Yes, sir.

COMMISSIONER MILES:

Then he will produce it and sell it?

MR. GIRAND:

That is right.

COMMISSIONER MILES:

Then it becomes his property?

MR. GIRAND:

It is impossible to treat out any particular tank battery at one time. You will have 99 barrels of emulsion to treat out. The majority of these re-cycling plants set up tanks and clean the oil.

COMMISSIONER MILES:

He would have to take it out too - what prevents the same abuse applying to either or both of them?

MR. GIRAND:

It could unless the Commission provides a ruling preventing it. A permit to tank cleaners telling the amount of emulsion and the disposal of the emulsion.

COMMISSIONER MILES:

Isn't that what he proposes to do?

MR. GIRAND:

He proposes to deal direct with the operator. As I understand Mr. Falariss he did not intend to engage in the tank cleaning business.

COMMISSIONER MILES:

He would be paying on a certain basis?

MR. GIRAND:

He will be in the tank cleaning business unless he can get the producer to have the tanks cleaned and instruct the tank cleaners to take the emulsion to him.

MR. FALARISS:

I will not restrict the tank cleaners to take the emulsion to my tank. My suggestion is that the tank cleaners dump that oil in a pit, then my transport picks the oil up from the pit. I intend to avoid that connection as much as possible.

MR. GIRAND:

It appears to me that the applicant here, if granted the authority, is willing to go ahead and establish what he is asking to operate. He has done a lot of investigating but he admits to this Commission a theory of what he will do, he is granted to do it the Commission is asked to go ahead and pass on something before they know whether or not he can take care of the requirements of the New Mexico fields.

MR. FAMARISS:

I state I will take care of whatever is available and anytime the Commission wishes I will show my financial resources and ability and availability I will not take care of what I can handle but what is completely available.

COMMISSIONER MILES:

Is this mandatory that the oil wells sell this product?

MR. FAMARISS:

I would say that is not advisable, the oil companies should have the option of selling to me or continuing what they are doing.

MR. GIRAND:

If it is salabel it will have to be sold or kept right on the place, the leases. You won't use anymore oil on the lease roads after there is a market established for it.

MR. FPAZIER:

You are not asking for exclusive authority from this Commission?

MR. FAMARISS:

I don't want a monopoly - the time, the money and neglecting my business for the past two months and asking for this permit if it is granted it is for everybody, not just my own ability to handle.

MR. FRAZIER:

You would be operating purely on a competitive basis?

A. No doubt they are waiting for it.

COMMISSIONER MILES:

Anybody else any question or information?

MR. SWEENEY:

May I ask Mr. Famariss, if he gets this general order permit what is necessary on the cleaning tank laws, to satisfy everybody in the fields.

MR. FAMARISS:

I like to qualify that - it is my opinion the purchase of these emulsions is the satisfaction of all involved parties.

MR. GIRAND:

I do not think it is the Commission's prerogative to establish certain conditions under which it must be sold - I think the acquisition of the subject matter which this application deals is a matter between the producer and the owner of the product and this Commission is over-representing itself when it says it must be bought.

MR. FAMARISS:

If someone wants to take it for nothing and I want to pay 25¢ - - -

(Case taken under advisement)

PRODUCTION
MAINTENANCE

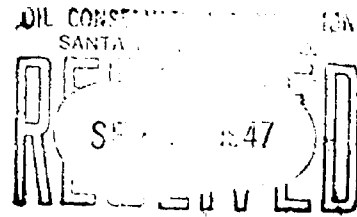
Company

CONTRACTORS

CONNECTION CREWS

ROUSTABOUT GANGS

HOBBS, NEW MEXICO September 25, 1947



Oil Conservation Commission of New Mexico
Santa Fe
New Mexico

Gentlemen:

In compliance with Order No. 726, Paragraph 5 you will find attached an affidavit. If this is not specifically as required, please advise and your instructions will be followed.

The bond provision under Paragraph 3 is in the process of clearing. It may be a matter of some 3 weeks before the mechanics can be completed but posting will be made at the earliest date possible.

Yours very truly

Walter Famariss, Jr.
Walter Famariss, Jr.

WF/tj
Reg. Mail

BEFORE THE OIL CONSERVATION COMMISSION OF THE
STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION COMMISSION OF THE
STATE OF NEW MEXICO FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 104

THE APPLICATION OF WALTER FAMARISS, 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.

A F F I D A V I T

STATE OF NEW MEXICO

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COUNTY OF LEA

Walter Famariss, Jr., of Hobbs, New Mexico, applicant in the
above styled case, and permittee under Order No. 726 of the Oil Conserva-
tion Commission of the State of New Mexico, having been first duly sworn
on oath states:

That in connection with his operations conducted under author-
ity of said order, in the event he fails or refuses to furnish the said
Commission with any information required by said order or any further
order of the Commission, or violates the law of the State of New Mexico
or the rules and regulations of the Commission with respect to acqui-
sition, processing or disposition of tank bottoms, waste oil, pit oil,
gasoline plant catchings, he will upon receipt of written notice to him
by the Commission, pointing out such violation or infraction, immediately
cease all operations conducted under authority of said order until further
authorization to resume such operations is granted by the Commission.

Walter Famariss, Jr.

SUBSCRIBED AND SWORN to before me this the 22 day of
September, 1947.

My commission expires:

5-15-48.

[Signature]
Notary Public

PROPOSED FORM
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

OWNER OR OPERATOR OF TANK TO BE CLEANED:

Date _____, 19__

Name of operator or owner _____

Lease _____ Field _____ Location _____ County _____

Tank No. _____ Capacity _____ Height _____

Gross Contents in Barrels _____ Feet and Inches _____

Height of Stationary Pipe Line Connection _____

Date Tank was last cleaned _____

Tank No. _____ as described above contains _____ barrels free oil, percent oil
in remainder of bottom _____%, barrels oil in remainder _____, total oil chargeable _____

Date _____, 19__. Disposition to be made of contents of tank bottom _____

Owner or Operator of TankBy _____
AgentState of New Mexico
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 tank 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 _____, 1948

Notary Public in and for _____ County, N.M.
My Commission expires _____, 19__

TANK CLEANER, TREATING PLANT or TRANSPORTER

Name _____ Address _____

This is to certify that on _____, 19__

Tank No. _____ Capacity _____ Height _____

Owned or Operated by _____

Located on _____ Lease _____ S.T.R. _____ County _____

Containing _____ Feet and Inches of Tank Bottoms and oil was cleaned of said
bottoms described on this permit. Tank No. _____ as described above containing
barrels free oil, percent oil in remainder of bottom _____%, barrels oil in remainder
_____, total oil chargeable _____. Date _____, 19__. Disposition to be
made of contents of tank bottom _____

The tank bottoms were transported to _____

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 this permit; that no rule or regu-
lation of the Oil Conservation Commission was violated in the cleaning or the tank
transportation of contents or treating of said contents of said tank.

State of New Mexico }
County of _____ }By _____
Agent

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 concern removing tank
bottoms described 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 affidavitSubscribed and sworn to before me, this the _____ day of _____, 19__
OIL CONSERVATION COMMISSION_____
Notary Public in and for _____ County, N.M.
My commission expires _____, 19__Date: _____
Permit No. __________
APPROVED
for OIL CONSERVATION COMMISSION

INSTRUCTIONS

The original and four copies of this form shall be filed with an agent of the Oil Conservation Commission before any "Tank Bottom or pit oil", as defined by orders of the Commission, shall be removed from a lease. After approval a copy of the form completed and executed by the person removing such tank bottom shall be filed with the Commission.

PROPOSED FORM
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

MONTHLY REPORT AND OPERATIONS STATEMENT FOR
RECLAIMING AND TREATING PIANTS

For the period from _____ to _____, 19__

Operator _____ Address _____

KIND	Stock on Hand beginning of Period	Receipts	Amount Treated	Net Oil Recovered	Deliveries	Stock on Hand End of Period
------	---	----------	-------------------	----------------------	------------	--------------------------------

Pipeline Oil

B.S. & W.

Total

RECEIPTS FROM TANKS OF LESS THAN 33 BARRELS

FROM WHOM RECEIVED	Field	Lease	Location	Receipts
--------------------	-------	-------	----------	----------

RECEIPTS BY PERMIT

FROM WHOM RECEIVED	Permit Number	Total Amount	B.S. & W.	Net Oil
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DELIVERIES

TO WHOM DELIVERED	Date of C-110	Amount	Actual Delivery	Other Products
-------------------	------------------	--------	--------------------	-------------------

Signed: _____

By: _____

STATE OF NEW MEXICO §
COUNTY OF _____ §

Before me, the undersigned authority, personally appeared _____ known to me to be the _____ of the plant filing the above report who upon his oath says that the above and foregoing report including attached papers is complete and each statement therein contained is true and correct, and that no oil or the products thereof was received, delivered, processed, reclaimed, blended, treated or on hand at the beginning or end of the reported period, in addition to that shown during the above reported period; and that said reporting firm is entitled to C-110 for shipment of the tenderable stock at the end of the period covered and as shown by this report.

SUBSCRIBED AND SWORN TO BEFORE ME, THIS _____ day of _____, 19__

Notary Public in and for _____ County, N.M.

APPROVED _____
for OIL CONSERVATION COMMISSION

PROPOSED FORM
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

OWNER OR OPERATOR OF TANK TO BE CLEANED:

Date _____, 19__

Name of operator or owner _____

Lease _____ Field _____ Location _____ County _____

Tank No. _____ Capacity _____ Height _____

Gross Contents in Barrels _____ Feet and Inches _____

Height of Stationary Pipe Line Connection _____

Date Tank was last cleaned _____

Tank No. _____ as described above contains _____ barrels free oil, percent oil in remainder of bottom _____%, barrels oil in remainder _____, total oil chargeable _____

Date _____, 19__, Disposition to be made of contents of tank bottom _____

Owner or Operator of Tank

By _____

Agent

State of New Mexico

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 tank 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 _____, 1948

Notary Public in and for _____ County, N.M.
My Commission expires _____, 19__

TANK CLEANER, TREATING PLANT or TRANSPORTER

Name _____ Address _____

This is to certify that on _____, 19__

Tank No. _____ Capacity _____ Height _____

Owned or Operated by _____

Located on _____ Lease _____ S.T.R. _____ County _____

Containing _____ Feet and Inches of Tank Bottoms and oil was cleaned of said

bottoms described on this permit. Tank No. _____ as described above containing _____

barrels free oil, percent oil in remainder of bottom _____%, barrels oil in remainder _____, total oil chargeable _____

Date _____, 19__. Disposition to be

made of contents of tank bottom _____

The tank bottoms were transported to _____

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 this permit; that no rule or regulation of the Oil Conservation Commission was violated in the cleaning or the tank transportation of contents or treating of said contents of said tank.

State of New Mexico

County of _____

By _____

Agent

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 concern removing tank bottoms described 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

Subscribed and sworn to before me, this the _____ day of _____, 19__
OIL CONSERVATION COMMISSION

Notary Public in and for _____ County, N.M.
My commission expires _____, 19__

Date: _____

Permit No. _____

APPROVED

for OIL CONSERVATION COMMISSION

PROPOSED FORM
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

MONTHLY REPORT AND OPERATIONS STATEMENT FOR
RECLAIMING AND TREATING PLANTS

For the period from _____ to _____, 19__

Operator _____ Address _____

KIND	Stock on Hand beginning of Period	Receipts	Amount Treated	Net Oil Recovered	Deliveries	Stock on Hand End of Period
------	---	----------	-------------------	----------------------	------------	--------------------------------

Pipeline Oil
B.S. & W.
Total

RECEIPTS FROM TANKS OF LESS THAN 33 BARRELS				
FROM WHOM RECEIVED	Field	Lease	Location	Receipts

RECEIPTS BY PERMIT				
FROM WHOM RECEIVED	Permit Number	Total Amount	B.S. & W.	Net Oil

DELIVERIES				
TO WHOM DELIVERED	Date of C-110	Amount	Actual Delivery	Other Products

Signed: _____

By: _____

STATE OF NEW MEXICO }
COUNTY OF _____ }

Before me, the undersigned authority, personally appeared _____ known to me to be the _____ of the plant filing the above report who upon his oath says that the above and foregoing report including attached papers is complete and each statement therein contained is true and correct, and that no oil or the products thereof was received, delivered, processed, reclaimed, blended, treated or on hand at the beginning or end of the reported period, in addition to that shown during the above reported period; and that said reporting firm is entitled to C-110 for shipment of the tenderable stock at the end of the period covered and as shown by this report.

SUBSCRIBED AND SWORN TO BEFORE ME, THIS _____ day of _____, 19__

Notary Public in and for _____ County, N.M.

APPROVED _____
for OIL CONSERVATION COMMISSION

May 27, 1947

MEMORANDUM TO:

R. R. Spurrier, Secretary
Oil Conservation Commission
Santa Fe, New Mexico

Re: Reclaiming waste oil

The reclamation of waste oil as suggested in Morris D. Pool's letter, the oil industry considered is not very important in itself and, of course, is a "little man's" proposition. That such a business is possible, strongly indicates the existance of waste the substantial elimination of which is the joint responsibility of the oil industry and the Commission. If, however, the reclaiming of waste oil had any real economic basis in all probability, the producing companies would do their own reclaiming. Mr. Pool's plan, as he admits, would be feasible only during times of high-priced oil.

As I understand Mr. Pool's plan, he would by some process clean and reclaim B.S., emulsion, or waste oil from the bottoms of tanks and pits which is not taken into the pipe lines nor calculated by the producers in their various reports nor in the proration figures. If this waste oil is not used as Mr. Pool suggests, it will undoubtedly be burned or disposed of otherwise.

In a small way the reclaiming of oil would reduce physical waste measured by the amount of merchantable crude oil recovered, it would permit a "little man" to make a little money at present prices. As to these things, the Commission should certainly have no objection.

Viewed from the prevailing practices of the oil producers and the established requirements of the Oil Commission, and the Land Office in the matter of production reports and proration matters, it is conceivable that such a disposition of such waste oil would be burdensome in a measure far out-weighting benefits to be derived.

Page 2.

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A producer of oil ordinarily disposes of his product on the basis of pipe line "run tickets." He reports and pays royalty on this basis and undoubtedly the proration schedules are calculated on the basis of merchantable oil. It is not clear at this time how "good crude oil" as reclaimed could get into the pipe line unless the well producing the same originally was not meeting its allowable.

Perhaps the production from several different wells contribute to the waste products in the general course of operations. It is conceivable that oil produced from State, private owned and Federal lands contribute to the product. In view of the fact that the Commission heretofore (Rule 16) considers such oil as unavoidable waste, it never has been considered as having an economic existence.

Assuming for the moment that the X Oil Company having met all of its obligation in the matter of reports to the Commission and observed its proration and royalty requirements in every required respect and having reported its production to the State Tax Commission and met its School Tax obligation on the basis of pipe line runs and thereafter disposed of waste products, it is not clear just what royalty or charge would be owing for such a sale. However, if there is any economic value to this waste oil, the State's part would probably be collected through the School Tax Division for Mr. Pool's privilege of engaging in business.

Should Mr. Pool go into the oil reclaiming business he would be, of course, required to take out the \$1.00 sales tax license and remit on a monthly basis to that division 1/2 of 1% of the gross proceeds of sales of his good crude oil which he could not sell until the Oil Conservation Commission authorized the entrance of this oil into a pipe line by some variation of the proration order. The Oil Commission, in addition, probably would require regular filing of Form 142 and probably a report of the oil's disposition on Form 140 on the part of the producer.

Page 3.

Without the Oil Commission taking cognizance of excessive waste and drawing appropriate rules for the disposition of this reclaimed oil, I do not believe that present royalty, interest, industry or production taxes are collectable excepting the school -- sale privilege tax. If, however, the wasteoil situation is of special importance, the Commission has ample powers to set up special requirements.

GEORGE GRAHAM

GAG/min

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PROPOSED

BEFORE THE OIL CONSERVATION COMMISSION

OF THE STATE OF NEW MEXICO.

IN THE MATTER OF A
GENERAL ORDER REGULATING
TANK CLEANING, PLANTS PROCESSING
TANK BOTTOMS, AND
RECLAIMING OF WASTE OIL

CASES NO. 104, 110 & 138
ORDER NO.

ORDER OF THE COMMISSION

WHEREAS, after publishing of notice for the time and in the manner required by law, the Oil Conservation Commission of the State of New Mexico held a hearing at Santa Fe, New Mexico, on July 15, 1947, and subsequently, for the purpose of receiving testimony and evidence concerning the necessity for promulgating rules and regulations for the cleaning of tanks used in connection with the production and storage of crude oil in the State of New Mexico, and the processing and reclaiming of tank bottoms, gasoline plant scrubber oil, waste oil, wash-in oil, creek oil, pit oil, pipe line break oil, and similar types and kinds of oil; and

WHEREAS, pursuant to the evidence presented at said hearing and independent investigations of the Commission, the Commission is of the opinion and finds that rules and regulations should be adopted.

THEREFORE, IT IS ORDERED BY THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO, effective _____, 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 New Mexico, the processing of tank bottoms, the construction and operation of treating plants, and the picking up, reclaiming, and/or salvaging of tank bottoms, waste oil, wash-in oil, creek oil, pit oil; to-wit:

RULE 1. No "tank bottoms," as hereinafter defined, shall be removed from any tank used for the storage of crude petroleum oil, except as hereinafter provided, unless and until application for tank cleaning permit shall have been made on the Commission's Form C-117, and approved by agent of the Commission. Provided further that approval shall not be given until tank for which permit is requested shall be tested as follows:

(a) An accurate gauge shall be taken on each tank for which tank cleaning permit is applied, and the result entered on Form C-117.

(b) A representative sample of the tank bottoms of each tank shall be taken, and the amount of merchantable oil determined 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, and such amount of oil shall be entered on Form C-117 by the owner or operator of the tank to be cleaned.

(c) The merchantable oil contained in any tank bottom or pit shall be measured and charged against the allowable of the unit or units producing into any tank or pit where such merchantable oil accumulates. This amount shall be shown as a separate item on Form C-115.

(d) Nothing contained in this Order shall apply to tank bottoms used on the lease from which the tank bottoms accumulated or to the treating of tank bottoms on the lease by the producer or operator where the merchantable oil recovered therefrom is disposed of through a duly authorized transporter as shown on form C-110 filed with the Commission.

Removal from the leasehold

strike out

(e) Nothing contained in this Order shall apply to the transfer of tank bottoms from one tank to another tank located in the same tank battery provided there is no change in the custody or control of the tank bottom.

(f) Nothing contained in this Order shall apply to reclaiming of pipe line break oil or the treating of tank bottoms at a pipe line station, crude oil storage terminal or refinery or to the treating by a gasoline plant operator of oil and other catchings collected in traps and drips in the gas gathering lines connected to gasoline plants and in scrubbers at such plants.

RULE 2. No treating plant, as defined in this Order, shall operate except in conformity with the following provisions.

(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. 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 other waste oils, and there is a need for such a plant at the proposed location thereof, a permit shall be granted authorizing the construction of such plant under the Commission's supervision.

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

The foregoing requirements shall have no application as to treating plants constructed and operating at the date of this Order under previous Order of the Commission provided that the future operations of such plants shall be in accordance of all other provisions of this Order. *Renewal of permit by consent of Commission*

Such permit, if granted, shall be valid for one (1) year, and shall be *renewal of permit by consent of Commission* revocable at any time after hearing is had on 10 days' notice, if, in the judgment of the Commission, the treating plant to which such permit is related is so constructed, equipped, or operated as not to reclaim and conserve tank bottoms and/or other waste oils; 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 treating plant operator shall be entitled to an approved Certificate of Compliance and Authorization to Transport Oil (Form C-110) for the total amount of products secured from tank bottoms and other waste oils processed in conformity with the provisions of this Order.

(c) Before actual operations are begun, the permittee shall file with the Commission a surety bond satisfactory to the Commission and 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 Form C-118, which report when fully completed and approved by an authorized agent of the Commission, may be used to support a C-110 for the net oil on hand at the end of the reported period.

(e) Report Forms C-118 may be filed and C-110's issued at intervals more frequent than once monthly, but in no event may C-110's be issued for moving the products of a treating plant without a Form C-118 fully completed and approved.

RULE 3.

(a) The provisions of this order shall not apply in connection with the recovery of wash-in oil, creek oil, or pit oil where such oil is picked up and returned to the lease on which produced or where such oil is disposed of to the transporter authorized by C-110's.

(b) Except as provided in paragraph (a) above any person desiring to pick up, reclaim, or salvage any wash-in oil, creek oil, or pit oil shall obtain in writing, a permit from the owner or operator of the lease, and a permit from a duly authorized agent of the Commission before picking up, reclaiming, or salvaging the same.

(c) All applications for permits to pick up, reclaim, or salvage wash-in oil, creek oil, or pit oil shall state the name and location of the lease, the number of the well or wells from which the oil was produced, or the source of such oil and the name of the owner, operator or manager.

RULE 4. The following definitions shall be applicable to the terms used in this Order.

(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 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 or any other waste oils marketable.

(c) "Tank bottoms" 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%) percent of basic sediment and water; provided, however, that with respect to lease production and for lease storage tanks, 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.

(d) "Wash-in oil" shall mean oil used in the drilling of, or reworking of, a well, which has been run from another tank or tanks and recaptured by the operator.

(e) "Creek oil" shall mean ^{oil}accumulating in creeks due to lease line break, lease tank overflow, or any other cause.

(f) "Pit oil" shall mean the oil or emulsion accumulating in the pits where tank bottoms and escape oil from wells are accumulated.

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.

OIL CONSERVATION COMMISSION
NEW MEXICO

BY _____
Chairman

Commissioner

Commissioner

Date

LEA COUNTY OPERATORS
HORBS, NEW MEXICO
JULY 13, 1948

PROPOSED

BEFORE THE OIL CONSERVATION COMMISSION

OF THE STATE OF NEW MEXICO.

IN THE MATTER OF A
GENERAL ORDER REGULATING
TANK CLEANING, PLANTS PROCESSING
TANK BOTTOMS, AND
RECLAIMING OF WASTE OIL

CASES NO. 104, 110 & 138
ORDER NO.

ORDER OF THE COMMISSION

WHEREAS, after publishing of notice for the time and in the manner required by law, the Oil Conservation Commission of the State of New Mexico held a hearing at Santa Fe, New Mexico, on July 15, 1947, and subsequently, for the purpose of receiving testimony and evidence concerning the necessity for promulgating rules and regulations for the cleaning of tanks used in connection with the production and storage of crude oil in the State of New Mexico, and the processing and reclaiming of tank bottoms, gasoline plant scrubber oil, waste oil, wash-in oil, creek oil, pit oil, pipe line break oil, and similar types and kinds of oil; and

WHEREAS, pursuant to the evidence presented at said hearing and independent investigations of the Commission, the Commission is of the opinion and finds that rules and regulations should be adopted.

THEREFORE, IT IS ORDERED BY THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO, effective _____, 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 New Mexico, the processing of tank bottoms, the construction and operation of treating plants, and the picking up, reclaiming, and/or salvaging of tank bottoms, waste oil, wash-in oil, creek oil, pit oil; to-wit:

RULE 1. No "tank bottoms," as hereinafter defined, shall be removed from any tank used for the storage of crude petroleum oil, except as hereinafter provided, unless and until application for tank cleaning permit shall have been made on the Commission's Form C-117, and approved by agent of the Commission. Provided further that approval shall not be given until tank for which permit is requested shall be tested as follows:

(a) An accurate gauge shall be taken on each tank for which tank cleaning permit is applied, and the result entered on Form C-117.

(b) A representative sample of the tank bottoms of each tank shall be taken, and the amount of merchantable oil determined 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, and such amount of oil shall be entered on Form C-117 by the owner or operator of the tank to be cleaned.

(c) The merchantable oil contained in any tank bottom or pit shall be measured and charged against the allowable of the unit or units producing into any tank or pit where such merchantable oil accumulates. This amount shall be shown as a separate item on Form C-115.

(d) Nothing contained in this Order shall apply to tank bottoms used on the lease from which the tank bottoms accumulated or to the treating of tank bottoms on the lease by the producer or operator where the merchantable oil recovered therefrom is disposed of through a duly authorized transporter as shown on form C-110 filed with the Commission.

(e) Nothing contained in this Order shall apply to the transfer of tank bottoms from one tank to another tank located in the same tank battery provided there is no change in the custody or control of the tank bottom.

(f) Nothing contained in this Order shall apply to reclaiming of pipe line break oil or the treating of tank bottoms at a pipe line station, crude oil storage terminal or refinery or to the treating by a gasoline plant operator of oil and other catchings collected in traps and drips in the gas gathering lines connected to gasoline plants and in scrubbers at such plants.

RULE 2. No treating plant, as defined in this Order, shall operate except in conformity with the following provisions.

(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. 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 other waste oils, and there is a need for such a plant at the proposed location thereof, a permit shall be granted authorizing the construction of such plant under the Commission's supervision.

No person shall operate, or cause to be operated, a treating plant without first having 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 received approval of bond as hereinafter provided and upon a showing satisfactory to the Commission after hearing and investigation.

The foregoing requirements shall have no application as to treating plants constructed and operating at the date of this Order under previous Order of the Commission provided that the future operations of such plants shall be in accordance of all other provisions of this Order.

Such permit, if granted, shall be valid for one (1) year, and shall be revocable at any time after hearing is had on 10 days' notice, if, in the judgment of the Commission, the treating plant to which such permit is related is so constructed, equipped, or operated as not to reclaim and conserve tank bottoms and/or other waste oils; 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 treating plant operator shall be entitled to an approved Certificate of Compliance and Authorization to Transport Oil (Form C-110) for the total amount of products secured from tank bottoms and other waste oils processed in conformity with the provisions of this Order.

(c) Before actual operations are begun, the permittee shall file with the Commission a surety bond satisfactory to the Commission and 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 Form C-118, which report when fully completed and approved by an authorized agent of the Commission, may be used to support a C-110 for the net oil on hand at the end of the reported period.

(e) Report Forms C-118 may be filed and C-110's issued at intervals more frequent than once monthly, but in no event may C-110's be issued for moving the products of a treating plant without a Form C-118 fully completed and approved.

RULE 3.

(a) The provisions of this order shall not apply in connection with the recovery of wash-in oil, creek oil, or pit oil where such oil is picked up and returned to the lease on which produced or where such oil is disposed of to the transporter authorized by C-110's.

(b) Except as provided in paragraph (a) above any person desiring to pick up, reclaim, or salvage any wash-in oil, creek oil, or pit oil shall obtain in writing, a permit from the owner or operator of the lease, and a permit from a duly authorized agent of the Commission before picking up, reclaiming, or salvaging the same.

(c) All applications for permits to pick up, reclaim, or salvage wash-in oil, creek oil, or pit oil shall state the name and location of the lease, the number of the well or wells from which the oil was produced, or the source of such oil and the name of the owner, operator or manager.

RULE 4. The following definitions shall be applicable to the terms used in this Order.

(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 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 or any other waste oils marketable.

(c) "Tank bottoms" 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%) percent of basic sediment and water; provided, however, that with respect to lease production and for lease storage tanks, 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.

(d) "Wash-in oil" shall mean oil used in the drilling of, or reworking of, a well, which has been run from another tank or tanks and recaptured by the operator.

(e) "Creek oil" shall mean ^{oil}accumulating in creeks due to lease line break, lease tank overflow, or any other cause.

(f) "Pit oil" shall mean the oil or emulsion accumulating in the pits where tank bottoms and escape oil from wells are accumulated.

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.

OIL CONSERVATION COMMISSION
NEW MEXICO

BY _____
Chairman

Commissioner

Commissioner

Date

LEA COUNTY OPERATORS
HOBBS, NEW MEXICO
JULY 13, 1948

PROPOSED

BEFORE THE OIL CONSERVATION COMMISSION

OF THE STATE OF NEW MEXICO.

IN THE MATTER OF A
GENERAL ORDER REGULATING
TANK CLEANING, PLANTS PROCESSING
TANK BOTTOMS, AND
RECLAIMING OF WASTE OIL

CASES NO. 104, 110 & 138
ORDER NO.

ORDER OF THE COMMISSION

WHEREAS, after publishing of notice for the time and in the manner required by law, the Oil Conservation Commission of the State of New Mexico held a hearing at Santa Fe, New Mexico, on July 15, 1947, and subsequently, for the purpose of receiving testimony and evidence concerning the necessity for promulgating rules and regulations for the cleaning of tanks used in connection with the production and storage of crude oil in the State of New Mexico, and the processing and reclaiming of tank bottoms, gasoline plant scrubber oil, waste oil, wash-in oil, creek oil, pit oil, pipe line break oil, and similar types and kinds of oil; and

WHEREAS, pursuant to the evidence presented at said hearing and independent investigations of the Commission, the Commission is of the opinion and finds that rules and regulations should be adopted.

THEREFORE, IT IS ORDERED BY THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO, effective _____, 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 New Mexico, the processing of tank bottoms, the construction and operation of treating plants, and the picking up, reclaiming, and/or salvaging of tank bottoms, waste oil, wash-in oil, creek oil, pit oil; to-wit:

RULE 1. No "tank bottoms," as hereinafter defined, shall be removed from any tank used for the storage of crude petroleum oil, except as hereinafter provided, unless and until application for tank cleaning permit shall have been made on the Commission's Form C-117, and approved by agent of the Commission. Provided further that approval shall not be given until tank for which permit is requested shall be tested as follows:

(a) An accurate gauge shall be taken on each tank for which tank cleaning permit is applied, and the result entered on Form C-117.

(b) A representative sample of the tank bottoms of each tank shall be taken, and the amount of merchantable oil determined 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, and such amount of oil shall be entered on Form C-117 by the owner or operator of the tank to be cleaned.

(c) The merchantable oil contained in any tank bottom or pit shall be measured and charged against the allowable of the unit or units producing into any tank or pit where such merchantable oil accumulates. This amount shall be shown as a separate item on Form C-115.

(d) Nothing contained in this Order shall apply to tank bottoms used on the lease from which the tank bottoms accumulated or to the treating of tank bottoms on the lease by the producer or operator where the merchantable oil recovered therefrom is disposed of through a duly authorized transporter as shown on form C-110 filed with the Commission.

(e) Nothing contained in this Order shall apply to the transfer of tank bottoms from one tank to another tank located in the same tank battery provided there is no change in the custody or control of the tank bottom.

(f) Nothing contained in this Order shall apply to reclaiming of pipe line break oil or the treating of tank bottoms at a pipe line station, crude oil storage terminal or refinery or to the treating by a gasoline plant operator of oil and other catchings collected in traps and drips in the gas gathering lines connected to gasoline plants and in scrubbers at such plants.

RULE 2. No treating plant, as defined in this Order, shall operate except in conformity with the following provisions.

(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. 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 other waste oils, and there is a need for such a plant at the proposed location thereof, a permit shall be granted authorizing the construction of such plant under the Commission's supervision.

No person shall operate, or cause to be operated, a treating plant without first having 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 received approval of bond as hereinafter provided and upon a showing satisfactory to the Commission after hearing and investigation.

The foregoing requirements shall have no application as to treating plants constructed and operating at the date of this Order under previous Order of the Commission provided that the future operations of such plants shall be in accordance of all other provisions of this Order.

Such permit, if granted, shall be valid for one(1) year, and shall be revocable at any time after hearing is had on 10 days' notice, if, in the judgment of the Commission, the treating plant to which such permit is related is so constructed, equipped, or operated as not to reclaim and conserve tank bottoms and/or other waste oils; 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 treating plant operator shall be entitled to an approved Certificate of Compliance and Authorization to Transport Oil (Form C-110) for the total amount of products secured from tank bottoms and other waste oils processed in conformity with the provisions of this Order.

(c) Before actual operations are begun, the permittee shall file with the Commission a surety bond satisfactory to the Commission and 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 Form C-118, which report when fully completed and approved by an authorized agent of the Commission, may be used to support a C-110 for the net oil on hand at the end of the reported period.

(e) Report Forms C-118 may be filed and C-110's issued at intervals more frequent than once monthly, but in no event may C-110's be issued for moving the products of a treating plant without a Form C-118 fully completed and approved.

RULE 3.

(a) The provisions of this order shall not apply in connection with the recovery of wash-in oil, creek oil, or pit oil where such oil is picked up and returned to the lease on which produced or where such oil is disposed of to the transporter authorized by C-110's.

(b) Except as provided in paragraph (a) above any person desiring to pick up, reclaim, or salvage any wash-in oil, creek oil, or pit oil shall obtain in writing, a permit from the owner or operator of the lease, and a permit from a duly authorized agent of the Commission before picking up, reclaiming, or salvaging the same.

(c) All applications for permits to pick up, reclaim, or salvage wash-in oil, creek oil, or pit oil shall state the name and location of the lease, the number of the well or wells from which the oil was produced, or the source of such oil and the name of the owner, operator or manager.

RULE 4. The following definitions shall be applicable to the terms used in this Order.

(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 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 or any other waste oils marketable.

(c) "Tank bottoms" 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%) percent of basic sediment and water; provided, however, that with respect to lease production and for lease storage tanks, 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.

(d) "Wash-in oil" shall mean oil used in the drilling of, or reworking of, a well, which has been run from another tank or tanks and recaptured by the operator.

(e) "Creek oil" shall mean ^{oil}accumulating in creeks due to lease line break, lease tank overflow, or any other cause.

(f) "Pit oil" shall mean the oil or emulsion accumulating in the pits where tank bottoms and escape oil from wells are accumulated.

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.

OIL CONSERVATION COMMISSION
NEW MEXICO

BY _____
Chairman

Commissioner

Commissioner

Date

LEA COUNTY OPERATORS
HOBBS, NEW MEXICO
JULY 13, 1948

PROPOSED

BEFORE THE OIL CONSERVATION COMMISSION

OF THE STATE OF NEW MEXICO.

IN THE MATTER OF A
GENERAL ORDER REGULATING
TANK CLEANING, PLANTS PROCESSING
TANK BOTTOMS, AND
RECLAIMING OF WASTE OIL

CASES NO. 104, 110 & 138
ORDER NO. 787

ORDER OF THE COMMISSION

WHEREAS, after publishing of notice for the time and in the manner required by law, the Oil Conservation Commission of the State of New Mexico held a hearing at Santa Fe, New Mexico, on July 15, 1947, and subsequently, for the purpose of receiving testimony and evidence concerning the necessity for promulgating rules and regulations for the cleaning of tanks used in connection with the production and storage of crude oil in the State of New Mexico, and the processing and reclaiming of tank bottoms, gasoline plant scrubber oil, waste oil, wash-in oil, creek oil, pit oil, pipe line break oil, and similar types and kinds of oil; and

WHEREAS, pursuant to the evidence presented at said hearing and independent investigations of the Commission, the Commission is of the opinion and finds that rules and regulations should be adopted.

THEREFORE, IT IS ORDERED BY THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO, effective Oct. 15, 1948, 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 New Mexico, the processing of tank bottoms, the construction and operation of treating plants, and the picking up, reclaiming, and/or salvaging of tank bottoms, waste oil, wash-in oil, creek oil, pit oil; to-wit:

RULE 1. No "tank bottoms," as hereinafter defined, shall be removed from any tank used for the storage of crude petroleum oil, except as hereinafter provided, unless and until application for tank cleaning permit shall have been made on the Commission's Form C-117, and approved by agent of the Commission. Provided further that approval shall not be given until tank for which permit is requested shall be tested as follows:

(a) An accurate gauge shall be taken on each tank for which tank cleaning permit is applied, and the result entered on Form C-117.

(b) A representative sample of the tank bottoms of each tank shall be taken, and the amount of merchantable oil determined 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, and such amount of oil shall be entered on Form C-117 by the owner or operator of the tank to be cleaned.

(c) The merchantable oil contained in any tank bottom or pit shall be measured and charged against the allowable of the unit or units producing into any tank or pit where such merchantable oil accumulates. This amount shall be shown as a separate item on Form C-115.

(d) Nothing contained in this Order shall apply to tank bottoms used on the lease from which the tank bottoms accumulated or to the treating of tank bottoms on the lease by the producer or operator where the merchantable oil recovered therefrom is disposed of through a duly authorized transporter as shown on form C-110 filed with the Commission.

(e) Nothing contained in this Order shall apply to the transfer of tank bottoms from one tank to another tank located in the same tank battery provided there is no change in the custody or control of the tank bottom.

✓ (f) Nothing contained in this Order shall apply to reclaiming of pipe line break oil or the treating of tank bottoms at a pipe line station, crude oil storage terminal or refinery or to the treating by a gasoline plant operator of oil and other catchings collected in traps and drips in the gas gathering lines connected to gasoline plants and in scrubbers at such plants.

RULE 2. No treating plant, as defined in this Order, shall operate except in conformity with the following provisions.

(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. 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 other waste oils, and there is a need for such a plant at the proposed location thereof, a permit shall be granted authorizing the construction of such plant under the Commission's supervision.

No person shall operate, or cause to be operated, a treating plant without first having 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 received approval of bond as hereinafter provided and upon a showing satisfactory to the Commission after hearing and investigation.

The foregoing requirements shall have no application as to treating plants constructed and operating at the date of this Order under previous Order of the Commission provided that the future operations of such plants shall be in accordance of all other provisions of this Order.

Such permit, if granted, shall be valid for one(1) year, and shall be revocable at any time after hearing is had on 10 days' notice, if, in the judgment of the Commission, the treating plant to which such permit is related is so constructed, equipped, or operated as not to reclaim and conserve tank bottoms and/or other waste oils; 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 treating plant operator shall be entitled to an approved Certificate of Compliance and Authorization to Transport Oil (Form C-110) for the total amount of products secured from tank bottoms and other waste oils processed in conformity with the provisions of this Order.

(c) Before actual operations are begun, the permittee shall file with the Commission a surety bond satisfactory to the Commission and 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 Form C-118, which report when fully completed and approved by an authorized agent of the Commission, may be used to support a C-110 for the net oil on hand at the end of the reported period.

(e) Report Forms C-118 may be filed and C-110's issued at intervals more frequent than once monthly, but in no event may C-110's be issued for moving the products of a treating plant without a Form C-118 fully completed and approved.

RULE 3.

(a) The provisions of this order shall not apply in connection with the recovery of wash-in oil, creek oil, or pit oil where such oil is picked up and returned to the lease on which produced or where such oil is disposed of to the transporter authorized by C-110's.

(b) Except as provided in paragraph (a) above any person desiring to pick up, reclaim, or salvage any wash-in oil, creek oil, or pit oil shall obtain in writing, a permit from the owner or operator of the lease, and a permit from a duly authorized agent of the Commission before picking up, reclaiming, or salvaging the same.

(c) All applications for permits to pick up, reclaim, or salvage wash-in oil, creek oil, or pit oil shall state the name and location of the lease, the number of the well or wells from which the oil was produced, or the source of such oil and the name of the owner, operator or manager.

RULE 4. The following definitions shall be applicable to the terms used in this Order.

(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 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 or any other waste oils marketable.

(c) "Tank bottoms" 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%) percent of basic sediment and water; provided, however, that with respect to lease production and for lease storage tanks, 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.

(d) "Wash-in oil" shall mean oil used in the drilling of, or reworking of, a well, which has been run from another tank or tanks and recaptured by the operator.

(e) "Creek oil" shall mean ^{oil}accumulating in creeks due to lease line break, lease tank overflow, or any other cause.

(f) "Pit oil" shall mean the oil or emulsion accumulating in the pits where tank bottoms and escape oil from wells are accumulated.

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.

OIL CONSERVATION COMMISSION
NEW MEXICO

BY _____
Chairman

Commissioner

Commissioner

Date

LEA COUNTY OPERATORS
HOBBS, NEW MEXICO
JULY 13, 1948

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 15, 1947. The operators have no objection to the type of order as issued in the Case #104, except as under the fact finding of "substantial waste" and "great quantities". The following data is offered as evidence that "substantial waste" and "great quantities" of waste does not exist from field gathering tanks, well completions and oil runs to pipe lines by 16 operators representing 85.3% of total production during the first 6 months of 1947.

Estimated amount of merchantable oil drawn off in tank cleaning and pit oil averages twelve hundredths of one percent of total oil produced for period.

Next 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.

As the operators understand the Order granting permission to operate an oil reclamation plant in the State of New Mexico, this Order is acceptable to the operators, except as mentioned above, and the procedure by which the Commission granted the Order is considered applicable to similar cases at this time.

Respectfully submitted

M. C. BRUNER, Chairman

LEA COUNTY OPERATORS COMMITTEE
OCTOBER 10, 1947
Hobbs, New Mexico

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF A GENERAL ORDER
REGULATING TANK CLEANING, PLANTS
PROCESSING TANK BOTTOMS, AND RE-
CLAIMING OF WASTE OIL.

CASES NO. 104, 110 & 138
ORDER NO. 787

ORDER OF THE COMMISSION

WHEREAS, after publishing of notice for the time and in the manner required by law, the Oil Conservation Commission of the State of New Mexico held a hearing at Santa Fe, New Mexico, on July 15, 1947, and subsequently, for the purpose of receiving testimony and evidence concerning the necessity for promulgating rules and regulations for the cleaning of tanks used in connection with the production and storage of crude oil in the State of New Mexico, and the processing and reclaiming of tank bottoms, gasoline plant scrubber oil, wash-in oil, creek oil, pit oil, pipe line break oil, and similar types and kinds of oil; and

WHEREAS, pursuant to the evidence presented at said hearing and independent investigations of the Commission, the Commission is of the opinion and finds that rules and regulations should be adopted.

THEREFORE, IT IS ORDERED BY THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO, effective October 15, 1948, 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 New Mexico, the processing of tank bottoms, the construction and operation of treating plants, and the picking up, reclaiming, and/or salvaging of tank bottoms, waste oil, wash-in oil, creek oil, pit oil; to-wit:

RULE 1. No "tank bottoms," as hereinafter defined, shall be removed from any tank used for the storage of crude petroleum oil, except as hereinafter provided, unless and until application for tank cleaning permit shall have been made on the Commission's Form C-117, and approved by agent of the Commission. Provided further that approval shall not be given until tank for which permit is requested shall be tested as follows:

(a) An accurate gauge shall be taken on each tank for which tank cleaning permit is applied, and the result entered on Form C-117.

(b) A representative sample of the tank bottoms of each tank shall be taken, and the amount of merchantable oil determined 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, and such amount of oil shall be entered on Form C-117 by the owner or operator of the tank to be cleaned.

(c) The merchantable oil contained in any tank bottom or pit shall be measured and charged against the allowable of the unit or units producing into any tank or pit where such merchantable oil accumulates. This amount shall be shown as a separate item on Form C-115.

(d) Nothing contained in this Order shall apply to tank bottoms used on the lease from which the tank bottoms accumulated or to the treating of tank bottoms on the lease by the producer or operator where the merchantable oil recovered therefrom is disposed of through a duly authorized transporter as shown on form C-110 filed with the Commission.

(e) Nothing contained in this Order shall apply to the transfer of tank bottoms from one tank to another tank located in the same tank battery provided there is no change in the custody or control of the tank bottom.

(f) Nothing contained in this Order shall apply to reclaiming of pipe line break oil or the treating of tank bottoms at a pipe line station, crude oil storage terminal or refinery or to the treating by a gasoline plant operator of oil and other catchings collected in traps and drips in the gas gathering lines connected to gasoline plants and in scrubbers at such plants.

RULE 2 No treating plant, as defined in this Order, shall operate except in conformity with the following provisions.

(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. 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 other waste oils, and there is a need for such a plant at the proposed location thereof, a permit shall be granted authorizing the construction of such plant under the Commission's supervision.

No person shall operate, or cause to be operated, a treating plant without first having 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 received approval of bond as hereinafter provided and upon a showing satisfactory to the Commission after hearing and investigation.

The foregoing requirements shall have no application as to treating plants constructed and operating at the date of this Order under previous Order of the Commission provided that the future operations of such plants shall be in accordance of all other provisions of this Order.

Such permit, if granted, shall be valid for one (1) year, and shall be revocable at any time after hearing is had on 10 days' notice, if, in the judgment of the Commission, the treating plant to which such permit is related is so constructed, equipped, or operated as not to reclaim and conserve tank bottoms and/or other waste oils; 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 rules or regulation of the Commission enacted under and in pursuance of said laws.

(b) The treating plant operator shall be entitled to an approved Certificate of Compliance and Authorization to Transport Oil (Form C-110) for the total amount of products secured from tank bottoms and other waste oils processed in conformity with the provisions of this Order.

(c) Before actual operations are begun, the permittee shall file with the Commission a surety bond satisfactory to the Commission and 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 Form C-111, which report when fully completed and approved by an authorized agent of the Commission, may be used to support a C-110 for the net oil on hand at the end of the reported period.

(e) Report Forms C-111 may be filed and C-110's issued at intervals more frequent than once monthly, but in no event may C-110's be issued for moving the products of a treating plant without a Form C-111 fully completed and approved.

RULE 3

(a) The provisions of this order shall not apply in connection with the recovery of wash-in oil, creek oil, or pit oil where such oil is picked up and returned to the lease on which produced or where such oil is disposed of to the transporter authorized by C-110's.

(b) Except as provided in paragraph (a) above any person desiring to pick up, reclaim, or salvage any wash-in oil, creek oil, or pit oil shall obtain in writing, a permit from the owner or operator of the lease, and a permit from a duly authorized agent of the Commission before picking up, reclaiming, or salvaging the same.

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(d) "Wash-in oil" shall mean oil used in the drilling of, or reworking of, a well, which has been run from another tank or tanks and recaptured by the operator.

(e) "Creek oil" shall mean oil accumulating in creeks due to lease line break, lease tank overflow, or any other cause.

(f) "Pit oil" shall mean the oil or emulsion accumulating in the pits where tank bottoms and escape oil from wells are accumulated.

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.

STATE OF NEW MEXICO
OIL COMMISSION

Date

29 Sept. 1948

John E. Wilson
R. L. [Signature]

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF WALTER FAMARISS, JR. }

CASE NO. 104

PERMIT FOR RENEWAL

Having received a favorable report of inspection of processing plant for the processing of tank bottoms and reclaiming of waste oil and the cleaning of tank bottoms operated by Walter Famariss, Jr., made by Roy Yarbrough in compliance with the rules of the Commission, and having been advised that bonding company consents to be bound for future operations of Walter Famariss, Jr., under authority of the Commission, permit for one year's operation is hereby granted subject to all conditions heretofore imposed under the rules of the Commission.

DONE at Santa Fe, New Mexico, this the 15 day of October 1949.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Thomas J. Mabry
THOMAS J. MABRY, CHAIRMAN

Guy Shepard
GUY SHEPARD, MEMBER

R. R. Spurrier
R. R. SPURRIER, SECRETARY

AGENDA FOR HEARING OF JULY 29, 1948

CASE NO. 153

In the matter of the application of Repollo Oil Company for bonus discovery allowable under Commission Order No. 573, for well No. 5, Phillips "A" lease, located in the SW/4 SW/4 section 31, T.19 S, R.37E, N.M.P.M., Lea County, New Mexico.

CASE NO. 152

In the matter of the application of Grayburg Oil Company of New Mexico and Western Production Company, Inc, for an order granting permission to drill twenty-eight unorthodox locations on leases within the boundaries of the Grayburg Cooperative and Unit Area in T.17 S, R.29 and 30 E, N.M.P.M., in the Grayburg-Jackson pool, Eddy County, New Mexico.

CASE NO. 154

In the matter of the application of Magnolia Petroleum Company, a corporation of Dallas, Texas, for approval of the Foster Unit Area and Agreement, covering and including the following described lands: Lots 1 and 2, S $\frac{1}{2}$ SE $\frac{1}{4}$ section 33; Lots 1,2,3,4, and 5, S $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$ section 34; Lots 1,2,3,4, and 5, S $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$, section 35; Lots 1,2,3, and 4, S $\frac{1}{2}$ S $\frac{1}{2}$ section 36, T. 20 $\frac{1}{2}$ S, R. 22 E; S $\frac{1}{2}$ section 13, S $\frac{1}{2}$ section 14; all sections 22,23,24,25,26,27,28,33,34,35 and 36, T. 20 S, R. 23E; Lots 1,2,3,4, and 5, S $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$ section 31; Lot 4, SW $\frac{1}{4}$ SW $\frac{1}{4}$ section 32, T. 20 $\frac{1}{2}$ S, R. 23E; Lots 3 and 4, E $\frac{1}{2}$ SW $\frac{1}{4}$ section 18; Lots 1,2,3, and 4, E $\frac{1}{2}$ W $\frac{1}{2}$ section 19; Lots 1,2,3, and 4, E $\frac{1}{2}$ W $\frac{1}{2}$ section 30; Lots 1,2,3, and 4, E $\frac{1}{2}$ W $\frac{1}{2}$ section 31, T. 20 S, R. 24 E, N.M.P.M. containing 10,289.50 acres, more or less, in Eddy County, New Mexico.

CASE NO. 155

In the matter of the application of the New Mexico Oil Conservation Commission, at the request of the Lea County Operators Committee for an order clarifying and amending Commission Order No. 52, dated February 1, 1937, and relating to rules and regulations for Lea County pools.

CASE NO. 156

In the matter of the application of the New Mexico Oil Conservation Commission, at the request of the Lea County Operators Committee for an order amending Commission Order No. 712 of August 4, 1947, and known as the Lea-Eddy-Chaves Counties New Mexico Gas-Oil Ratio Order.

Case No. 110 (continued); Case No. 104 in which Commission retained jurisdiction and upon further motion of the Oil Conservation Commission; Hardin-Houston, Hobbs, New Mexico; Walter Pamariss, 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.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

SUGGESTED AMENDMENT TO COMMISSION ORDER #712

"Any unit containing a well or wells producing from a reservoir which contains both oil and gas shall be permitted to produce only that volume of gas equivalent to the applicable limiting gas-oil ratio multiplied by the top unit oil allowable (deep pool adaptation) currently assigned to the pool, to be effective in all pools in New Mexico where the gas-oil ratio is limited by Commission Order. This will place all producing wells, whether oil or gas, in these pools on the proration schedule."

LEA COUNTY OPERATORS COMMITTEE
HOBBS, NEW MEXICO
July 13, 1948

(P R O P O S E D)
BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED BY THE
OIL CONSERVATION COMMISSION OF THE STATE
OF NEW MEXICO FOR THE PURPOSE OF CONSIDERING:

CASE NO. 146

ORDER NO. _____

THE APPLICATION OF THE NEW MEXICO OIL
CONSERVATION COMMISSION, UPON ITS OWN MOTION,
TO PROMULGATE AND ADOPT AN ORDER WHICH WILL *amend and*
CLARIFY PRESENT EXISTING REGULATIONS, AS
PERTAINING TO THE TRANSPORTATION OF CRUDE
PETROLEUM WITHIN THE BOUNDARIES OF THE STATE
OF NEW MEXICO, AND TO FACILITATE THE PURCHASING
TRANSPORTATION, AND HANDLING OF CRUDE PETROLEUM
BY THE VARIOUS PIPE LINE COMPANIES AND TRANSPORTERS
WITHIN THE STATE OF NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on hearing at 10:00 o'clock A.M., _____ at Santa Fe,
New Mexico, before the Oil Conservation Commission of the State of New Mexico,
hereinafter referred to as the "Commission."

NOW, on the _____ day of _____, 1948, the Commission having before it for
consideration the testimony adduced at the hearing of said case, and being fully
advised in the premises;

IT IS THEREFORE ORDERED:

1. That the New Mexico Oil Conservation Commission will meet monthly, as
soon as practicable after the announcement of the Bureau of Mines of the market
demand for New Mexico, and at such meeting will consider the announcement of the
Bureau of Mines and other evidence of market demand, and will determine the amount
of oil to be produced from all pools in the State of New Mexico during the follow-
ing calendar month. The amount so determined will be allocated among the various
pools in the State in accordance with existing regulations and among the various
units in each pool, in accordance with the regulations governing each pool. Effect-
ive the first day of each month, the commission or its duly authorized agent will
issue a monthly proration schedule. This monthly proration schedule will authorize
the production, purchase and transportation of oil from the various units in strict
accordance with the schedule. Allowables for wells completed after the first day
of the month will become effective from the date of well completion. For proration
purposes, a well is completed on the day the first oil is delivered into the lease
stock tank or tanks. A supplementary order will be issued by the commission or its
duly authorized agent to the operator of the newly completed well, and to the pur-
chaser or transporter of the oil from the completed well, establishing the effect-
ive date of completion, the amount of production permitted during the month, and
the authority to purchase and transport same from said well.

allowable 2. That any common purchaser is authorized to purchase 100 percent of the
production from all units classified as marginal units on the monthly proration
order. A marginal unit is a unit that is incapable of producing the state top

PROPOSED ORDER CONT'D

unit allowable for that particular month. Any amount of crude petroleum, up to and including top unit allowable for that particular month, may be purchased from a marginal unit, provided that a supplemental order is issued authorizing such production.

3. That no purchase in excess of the production set forth the monthly proration order is authorized for any month from a unit having gas-oil ratio adjustments.

4. That current shortages may be made up the month following the month in which such shortages occurred, and if overage occurs, which is unavoidable and lawful, then such overage should be compensated the month following the month in which such overages occurred. All legal and authorized back allowable available for purchase will be published in the monthly proration order. No back allowable will be placed in the monthly proration order unless request is made by producer and proof is shown that shortage is legal and should be considered as back allowable. There are only three justifications for back allowable, namely; (1) failure of purchaser or transporter to run assigned allowable as adjusted for temperature corrections made by transporter, and (2) mechanical failures affecting the producing well during the proration period, and (3) gathering engineering data.

5. That when and if it becomes necessary for any common purchaser to purchase crude petroleum at a ratable take (less than amount assigned on monthly proration schedule), that any common purchaser is authorized and directed to make 100 percent purchases from units of settled production producing ten barrels or less daily of crude petroleum within its purchasing area and ordinarily served by it in lieu of ratable purchases or takings, in order to preclude premature abandonment.

Provided, however, where such purchaser's takings are curtailed below ten barrels per unit of crude petroleum daily, then said purchaser is authorized and directed to purchase equally from all such units within said area and ordinarily served by it regardless of their producing ability insofar as they are capable of producing.

6. That Commission Orders No. 235 and No. 539 shall be superseded by this Order.

7. That this order shall become effective on the first day of the proration month next succeeding the month in which said order is adopted.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

THOMAS J. MERRY, Chairman

JOHN E. NILES, Member

R. R. SPURRIER, Secretary

LEA COUNTY OPERATORS COMMITTEE
HOBBS, NEW MEXICO
July 13, 1948

PROPOSED AMENDMENT TO REPLACE THE FOLLOWING PORTION OF ORDER #52

Title: METHOD OF PRODUCING WELLS

"The owner or operator of any producing units shall not produce from any unit during any calendar month any more oil than the allowable production for such unit as shown by the proration schedule, provided, however, that such owners or operators shall be permitted to balance the production for each unit during the calendar month, provided, further, that the amount of oil which such owner or operator shall be permitted to produce from any unit on any one day in order to balance the production within the calendar month as herein provided, shall not exceed the allowable production for such unit for each day by more than 25 percent of such allowable. In no event shall any unit be produced in any manner or in such amount as to result in the production in any one day from any unit of an amount in excess of 125 percent of the daily allowable."

THE ABOVE PROPOSED AMENDMENT IS TO REPLACE THE FOLLOWING:

Portion of Order #52, Effective February 1, 1937

METHOD OF PRODUCING FLOWING WELLS

Naturally flowing wells shall be produced at a continuous uniform rate as far as is practicable, in keeping with the current allowable, unless the Commission specifically permits stop-cocking to reduce the gas-oil ratio.

PRODUCTION FROM UNITS

The production of crude oil from each 40-acre unit shall be the amount allocated by the Commission. An accurate record of the oil production from each unit or well shall be obtained and reported to the Commission according to its requirements.

LEA COUNTY OPERATORS COMMITTEE
HOBBES, NEW MEXICO
JULY 23, 1948

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED BY
THE NEW MEXICO OIL CONSERVATION COMMISSION
FOR THE PURPOSE OF CONSIDERING:

CASE NO. 98

ORDER NO. 712

THE APPLICATION OF THE OIL CONSERVATION
COMMISSION UPON ITS OWN MOTION FOR AN
ORDER GOVERNING GAS OIL RATIOS FOR LEA,
EDDY AND CHAVES COUNTIES.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 10:00 A.M. on April 15, 1947 at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico hereinafter referred to as the "Commission".

NOW, on this 4th. day of August 1947, the Commission having before it for consideration the testimony adduced at the hearing of said case and being fully advised in the premises;

FINDS:

1. That the Commission has jurisdiction in the matter.
2. That the order herein is reasonable and necessary in the material curtailment of avoidable underground and surface forms of waste affording the owner of each property in a pool in the respective counties, the opportunity to produce his just and equitable share of the oil and gas by using his just and equitable share of the reservoir energy of the pool within the meaning of the gas and oil conservation law in Chapter 72, Laws of New Mexico, 1935, taking into consideration all pertinent factors applicable to the various fields; such as age, state of depletion, character of producing formations, water and gas drive, application of gas to beneficial use, and the returning of gas to the formations for storage, repressuring and pressure maintenance projects.

IT IS THEREFORE ORDERED:

That the Order herein shall be applicable to the pools in Lea, Eddy and Chaves Counties, New Mexico and shall be known as the:

LEA-EDDY-CHAVES COUNTIES NEW MEXICO GAS-OIL RATIO ORDER

1. (a) The proration unit shall be the unit of proration as defined by the State-wide Proration Order (with deep-pool adaptation).
- (b) A marginal unit is; for pools having no special proration plan, a proration unit that will not produce the top unit allowable as in the State-wide Proration Order (with deep-pool adaptation); and for pools having such plans, a proration unit that will not produce the acreage factor allowable thereunder-both during the Gas-Oil Ratio Test.

(c) A non-marginal unit is; for pools having no special proration plans, a proration unit that will produce the top unit allowable as in the State-wide Proration Order (with deep-pool adaptation); and for pools having such plans, a proration unit that will produce the acreage factor allowable - both during the Gas-Oil Ratio Test.

(d) The top unit allowable shall be as in the State-wide Proration Order (with deep pool adaptation).

(e) The gas-oil ratio of a proration unit shall be the total net formation gas produced with the oil from such unit divided by the total net barrels of oil so produced during the Gas-Oil Ratio Test.

(f) The limiting gas-oil ratios for the various pools shall be as in Section 2 hereinbelow.

(g) A high gas-oil ratio unit shall be a proration unit that exceeds the limiting gas-oil ratio prescribed for the pool in which such unit is located.

(h) A low gas-oil ratio unit shall be a proration unit that does not exceed the limiting gas-oil ratio prescribed for the pool in which it is located.

(i) The gas-oil ratio adjustment shall be as in Section 3 hereinbelow.

(j) The unadjusted allowable shall be the allowable a proration unit would receive before the gas-oil ratio adjustment is applied.

(k) The adjusted allowable shall be the allowable a proration unit receives after the gas-oil ratio adjustment is applied.

(l) The Official Gas-Oil Ratio Test applicable shall be such Test designated by the Commission, made by such method and means, in such manner, and at such periods as the Commission in its discretion may prescribe from time to time. That a definite schedule be worked out by the Commission for conducting and submitting such tests of wells in each pool within the counties aforesaid and the making and the filing with the Commission the report of such official gas-oil ratio tests shall be construed a part of such tests. The Commission will drop from the proration schedule any proration unit for failure to make such test as hereinabove described until such time as a satisfactory test has been made or full or proper explanation given.

2. (a) The limiting gas-oil ratios in cubic feet per barrel for the following pools shall be to wit:

<u>POOL</u>	<u>GAS OIL RATIO LIMIT</u>	<u>COUNTY</u>
Anderson	2000	Eddy
Arrowhead	3500	Lea
Artesia	2000	Eddy
Atoka	2000	Eddy
Barber	2000	Eddy
Denson	2000	Eddy
Blinbry	2000	Lea
Branson	2000	Lea
Burton	2000	Eddy
Caprock	2000	Chaves & Lea
Cass	2000	Lea
Coronado	2000	Chaves
Corbin	2000	Lea
Culwin	2000	Eddy

<u>POOL</u>	<u>GAS OIL RATIO LEET</u>	<u>COUNTY</u>
Daugherty	2000	Eddy
Dayton	2000	Eddy
Dayton, East	2000	Eddy
Drinkard	2000	Lea
Dublin	2000	Lea
Eaves	2000	Lea
Eighty-four Draw	2000	Lea
Empire	2000	Eddy
Eunice-Monument;		
Eunice portion	6000	Lea
Monument portion	3000	Lea
Eunice, West	2000	Lea
Fenton	2000	Eddy
Forrest	2000	Eddy
Fron	2000	Eddy
Getty	2000	Eddy
Grayburg-Jackson	4000	Eddy
Halfway	2000	Lea
Harrison	2000	Lea
Henshaw	2000	Eddy
High-Lonesome	2000	Eddy
High-Lonesome South	2000	Eddy
Hobbs	3500	Lea
Jones	2000	Lea
Lea	2000	Lea
Leo	2000	Eddy
Loco Hills	3000	Eddy
Lovington	2000	Lea
Lovington, West	2000	Lea
Lusk, East	2000	Lea
Lusk	2000	Eddy & Lea
Lusk, West	2000	Eddy
Lynch	2000	Lea
Lynch, North	2000	Lea
Maljamar	3000	Eddy & Lea
Maljamar, North	2000	Lea
Maljamar, South	2000	Lea
McMillan	2000	Eddy
Paddock	2000	Lea
PCA	2000	Eddy
Pearsall	2000	Lea
Premier	2000	Eddy
Red Lake	2000	Eddy
Roberts	2000	Lea
Roberts, West	2000	Lea
Robinson	2000	Eddy & Lea
Russell	2000	Eddy
Salt Lake	2000	Lea
San Simon	2000	Lea
Shugart	2000	Eddy
Shugart, North	2000	Eddy
Shoggs	2000	Lea
Square Lake	2000	Eddy
Tonto	2000	Lea
Turkey Track	2000	Eddy
Young	2000	Lea
Vacuum	2500	Lea
Watkins	2000	Lea
Weir	2000	
Now & undesignated pools	2000	

(b) No limiting gas-oil ratio shall be applied in Hardy, Pecos-Skelly, Langlie-Mattix, Rhodes Oil Pool, Cooper-Jal, and South Eunice pools in Lea County, (see order G33) and Scanlon in Eddy County, now primarily gas reservoirs. Provided that the oil produced with the gas shall not be in excess of the current top unit allowable; and provided further that the gas produced from said pools shall be put to beneficial use so as not to constitute waste, except as to proration units in said pools for which there are not facilities for the marketing or application to beneficial use of the gas produced therefrom. As to such proration units the limiting gas-oil ratio in effect immediately prior to the effective date of the order herein shall apply. As to said pools, gas-oil ratio tests shall be required only when the Commission within its discretion may from time to time indicate.

3. The system of gas-oil ratio control shall be that of volumetric control, whereby the current oil allowable for a proration unit, under the provisions of the State-wide Proration Order (with deep-pool adaptation), is adjusted by reason of exceeding the corresponding limiting ratio hereinabove described, in accordance with the following formula:

(a) Any proration unit which, on the basis on the latest official gas oil ratio test has a gas oil ratio in excess of the limiting gas oil ratio for the pool in which it is located shall be permitted to produce daily that number of barrels of oil which shall be determined by multiplying the current top unit allowable by a fraction, the numerator of which fraction shall be the limiting gas oil ratio for the pool and the denominator of which fraction shall be the gas oil ratio of said proration unit as determined by the latest official gas oil ratio test.

(b) A marginal unit shall be permitted to produce the same total volume of gas which it would be permitted to produce if it were a non-marginal unit.

(c) From the pool allocation shall be deducted the amount of oil allocated to marginal units and high gas-oil ratio units, then the remaining oil shall be distributed to the low gas-oil ratio units, within the same pool in accordance with the pool proration plan.

(d) All gas produced with the current oil allowable determined in accordance with this order shall be deemed to have been lawfully produced.

4. No proration units within a repressuring or pressure maintenance project area, where 65% available residue of the total gas withdrawal is returned to the formation shall be affected by the limiting ratios of this order. Such areas shall be those set out by the Commission by Order upon hearing as provided by law.

5. All proration units to which gas-oil ratio adjustments are applied shall be so indicated in the Proration Schedule with adjusted allowables stated.

6. The order herein supersedes Orders 237, 250, 545 and 650.

This order shall become effective on the first day of the proration month next succeeding the month in which said Order is adopted.

7. That jurisdiction of this case is hereby retained by the Commission to approve schedules of time and manner of taking and reporting gas oil ratios for wells in the separate pools of Lea, Eddy, and Chaves Counties and for other purposes connected therewith.

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

LEA COUNTY OPERATORS COMMITTEE
AUGUST 19, 1947

OIL CONSERVATION COMMISSION
Thomas J. Mabry, Chairman
John E. Miles, Member
R. R. Spurrier, Secretary