

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 1522
Order No. R-1299

APPLICATION OF LEA COUNTY DRIP COMPANY,
INC. FOR REVISION OF RULES 311, 312,
1116, AND 1117 OF THE STATEWIDE RULES
AND REGULATIONS OF THE OIL CONSERVATION
COMMISSION OF NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on October 15, 1958, at Farmington, New Mexico, and again at 9 o'clock a.m. on November 13, 1958, 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 December, 1958, the Commission, a quorum being present, having considered the application, the evidence adduced and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant proposes certain revisions in Commission Rules 311, 312, 1116, and 1117 regarding the handling and disposition of tank bottoms and other accumulations, on oil and gas leases, of liquid hydrocarbons which are not merchantable through normal channels.
- (3) That one of the proposed revisions is that any merchantable oil which might be reclaimed from such hydrocarbon accumulations should not be charged against the allowable for the well or wells from which said oil was produced.
- (4) That such a revision would encourage inefficient operation of oil and gas leases in New Mexico and would tend to violate correlative rights.

-2-

Case No. 1522
Order No. R-1299

(5) That the remainder of the proposed revisions are in the interest of conservation and will encourage good operating practices.

IT IS THEREFORE ORDERED:

1. That Rule 311 of the Rules and Regulations of the Oil Conservation Commission of New Mexico be and the same is hereby revised to read as follows:

RULE 311. SEDIMENT OIL

(a) "Sediment oil" is defined as tank bottoms and any other accumulations of liquid hydrocarbons on an oil and gas lease, which hydrocarbons are not merchantable through normal channels.

(b) No sediment oil shall be burned or otherwise destroyed unless and until the Commission has approved an application to destroy the same on Form C-117-A. No permit shall be required, however, when sediment oil is put to beneficial use on the originating lease for purposes of oiling lease roads, fire walls, tank grades, or other similar purposes.

(c) When sediment oil is to be removed from a lease for reclamation, the person removing such sediment oil shall obtain a permit (Form C-117-B) from the appropriate District Office of the Commission prior to removal of the oil from the lease. Any merchantable oil recovered from sediment oil shall be charged against the allowable for the wells on the originating lease. All such recovered oil shall be reported by the operator of the lease on Form C-115 (Operator's Monthly Report). Nothing contained in paragraph (c) of this Rule shall apply to reclaiming of pipeline break oil or the treating of tank bottoms occurring at a pipeline station, crude oil storage terminal, or refinery, 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, nor to the treating or reclamation of oil and other catchings collected in community salt water disposal systems.

2. That Rule 312 of the Rules and Regulations of the Oil Conservation Commission of New Mexico be and the same is hereby revised to read as follows:

RULE 312. TREATING PLANTS

No treating plant shall operate except in conformity with the following provisions:

(a) Prior to the construction of a treating plant, a written application shall be filed for a treating plant permit stating in detail the location and type and capacity of the plant contemplated. The Commission, in not less than 30 days, will set such application for hearing to determine whether the proposed plant and method of processing will efficiently process, treat, and reclaim sediment oil. Before beginning actual operations, the permittee shall file with the Commission a performance bond in the amount of \$10,000.00, conditioned upon substantial compliance with applicable statutes of the State of New Mexico and all rules, regulations, and orders of the Oil Conservation Commission of New Mexico.

(b) Such permit shall entitle the treating plant operator to an approved Certificate of Compliance and Authorization to Transport Oil, Commission Form C-110, for the total amount of products secured from sediment oils processed by the operator. All permits shall be revocable, after notice and hearing, upon showing of good cause.

(c) All treating plant operators shall, on or before the 25th day of each calendar month, file at the appropriate District Office, a monthly report on Commission Form C-118, which report shall support the Commission Form C-110 for the net oil recovered and sold during the preceding month.

The operator of each lease from which sediment oil is removed for reclamation shall be promptly notified by the treating plant operator of the amount of pipeline oil recovered therefrom. In the event sediment oil from two or more separate leases is to be commingled prior to treating, the treating plant operator shall determine the amount of pipeline oil attributable to each lease by testing a representative sample of the sediment oil from said lease in accordance with the standard centrifugal test prescribed by the API Code for Measuring, Sampling, and Testing Crude Oil, Number 25, Section 5.

3. That Rule 1116 of the Rules and Regulations of the Oil Conservation Commission of New Mexico be and the same are hereby revised to read as follows:

RULE 1116. SEDIMENT OIL DISPOSITION PERMITS (FORM C-117-A AND C-117-B)

(a) Form C-117-A, Sediment Oil Destruction Permit, shall be submitted in TRIPLICATE in accordance with Rule 311, and shall contain the following information:

-4-

Case No. 1522
Order No. R-1299

- (1) Name of operator
- (2) Name and location of lease
- (3) Type of sediment oil (tank bottom, emulsion, etc.)
- (4) Estimated amount (in barrels).

(b) Form C-117-B, Sediment Oil Recovery Permit, shall be submitted in QUADRUPLICATE in accordance with Rule 311, and shall contain the following information:

- (1) Name of Transporter
- (2) Name of operator
- (3) Name and location of lease
- (4) Type of Sediment oil (tank bottom, emulsion, etc.)
- (5) Estimated amount (in barrels)
- (6) Disposition

4. That Rule 1117 of the Rules and Regulations of the Oil Conservation Commission of New Mexico be and the same are hereby revised to read as follows:

RULE 1117. TREATING PLANT OPERATOR'S MONTHLY REPORT (FORM C-118)

Form C-118 shall be submitted in DUPLICATE in accordance with Rule 312, and shall contain the following information:

- (1) Name of treating plant operator
- (2) Location of plant or plants
- (3) Source of each individual acquisition
- (4) Number of permit authorizing acquisition
- (5) Gross volume of sediment oil acquired from each source.
- (6) Net amount of pipeline oil recovered from each acquisition.

5. That Forms C-117 and Form C-118, as the same now exist, are hereby abolished.

6. That Forms C-117-A, Form C-117-B, and Form C-118, sheets 1 and 1-A, be and the same are hereby established as they appear in Exhibits A, B, C, and D, respectively.

-5-

Case No. 1522
Order No. R-1299

IT IS FURTHER ORDERED:

That the effective date of this order and of all of the provisions contained herein shall be January 1, 1959.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



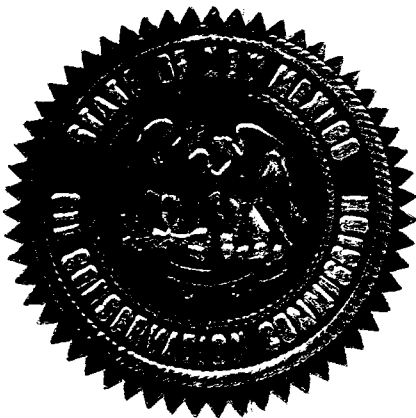
EDWIN L. MECHEM, Chairman



MURRAY E. MORGAN, Member



A. L. PORTER, Jr., Member & Secretary



1r/