

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
January 17, 1962

IN THE MATTER OF:

Application of the Oil Conservation
Commission, upon its own motion, for the
amendment of Rule 309 to include the
following:

No. 2475

BEFORE:

Edwin L. Mechem, Governor
E. S. "Johnny" Walker, Land Commissioner
A. L. "Pete" Porter, Secretary-Director of Commission

TRANSCRIPT OF HEARING

MR. PORTER: The hearing will come to order please. The
Commission will hear the testimony in case numbered 2475.

Mr. Nutter, will you please come forward and be sworn?

(Witness sworn.)

DANIEL S. NUTTER

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

DIRECT EXAMINATION

BY MR. MORRIS:

- Q State your name.
- A Daniel S. Nutter.
- Q What is your position?

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A Chief Engineer for the Oil Commission.

Q Are you familiar with Rule 309 as it is presently written?

A Yes.

Q Would you refer to Rule 309 and read it please?

A Rule 309. "Application of the Oil Conservation Commission, upon its own motion, for the amendment of Rule 309 to include the following:

"Section C - Administrative Approval, Off-Lease Storage.

"For good cause shown, the Secretary-Director of the Commission shall have authority to grant an exception to Rule 309-A to permit the production from one lease to be transported prior to measurement to another lease for storage thereon, provided an application reflecting ownership of the leases has been filed in triplicate with the Commission and is accompanied by plats of the leases showing thereon the wells on the leases and the formations in which they are completed and the proposed location of the tank battery, and provided further that:

"1. All production is from the same common source of supply.

"2. Commingling of production from the two leases shall not result.

"3. There will be no intercommunication of handling, separating, treating, or storage facilities designed to each

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lease.

"4. All parties owning an interest in the leases have consented in writing to the off-lease storage.

"5. In lieu of paragraph 4 of this rule, the applicant may furnish proof of the fact that said parties were notified by registered or certified mail of his intent to transport prior to measurement the production from one lease to another lease for storage. The Secretary-Director may approve the application if, after a period of 20 days following receipt of the application, no party has made objection to the application.

"6. Where State or Federal lands are involved, the applicant shall furnish evidence that the Commissioner of Public Lands for the State of New Mexico or the Regional Supervisor of the United State Geological Survey has consented to the proposed off-lease storage."

Q Now, let's take the situation where an operator wishes to utilize existing storage facilities for a new well completed on another lease. Under Rule 309, and particularly the part you just read, can this be done without a hearing?

A No, sir.

Q Has this situation arisen from time to time in your experience?

A Yes, it has.

Q How has the Commission handled it in the past?

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A It has been the case where an operator wished to use facilities on another lease, you have a hearing in order to utilize those facilities.

Q No administrative procedures are available?

A No, no administrative procedures are available.

Q Has the Commission been plagued with a vast number of these in the past?

A No, not a great number of them but it is a cumbersome amount of effort to have a hearing.

Q In these hearings in the past has it been your experience that any information was divulged that could not have been submitted by a letter?

A In my opinion all information could have been provided in the application, as we have stated, for administrative approval, if administrative procedures were available.

Q Do you have a proposed change in Rule 309 which would provide for this off-lease storage?

A I do. Section-C, Administrative Approval of off-lease storage.

Q Do you have your proposal prepared as an exhibit?

A I do.

Q Does it read the same as shown on the docket for this hearing?

A Yes.

Q You recommend to the Commission that this proposal



be adopted?

A I do.

Q Is there anything further?

A No, sir.

MR. MORRIS: That concludes the direct examination of Mr. Nutter and I recommend that the Commission adopt Rule 309. We offer Exhibit 1, as prepared by Mr. Nutter.

(Staff Exhibit 1 is offered in evidence.)

MR. PORTER: Exhibit 1, will be admitted. Does any one have any questions for Mr. Nutter?

(Staff Exhibit 1 is admitted in evidence.)

MR. PORTER: There being no further questions, the witness may be excused.

(Witness excused.)

MR. PORTER: Mr. Morris, I believe you have some communications to read at this time?

MR. MORRIS: Yes, sir. First, I would like to state that the Commission has received a telegram from the Humble Oil and Refining Company and a telegram from the Continental Oil Company and one from the Pan American Petroleum Company, that I would like to make part of our record. These telegrams concur in the proposed amendment to Rule 309 proposed by Mr. Nutter. At this time, I also have a letter from the Amerada Petroleum Corporation, dated January 12, 1962, which proposes certain changes in Rule 309.



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that differ slightly from that as proposed by Mr. Nutter. In essence, the Amerada's proposal differs in this regard, rather than merely providing for the off-lease storage of oil on other leases, Amerada proposes that permission be granted to store on tracts of land not necessarily covered by oil leases, or lend-lease tracts or something of that nature. Amerada further requests that Rule 309, as proposed by Mr. Nutter, concerning the information to be submitted, and in particular the information concerning the fact that commingling of production would not result and no intercommunication of the storage facilities, and it proposes that that not be submitted in the application for Administrative approval. I will offer Amerada's letter as part of the record in this case so that the Commission may be advised of their proposal.

MR. PORTER: Let the letter of Amerada Petroleum Company be made part of the record.

(Said letter was not marked as an exhibit, but was made part of the record.)

MR. PORTER: The Commission will take case number 2475 under advisement at this time.

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STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

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

IN WITNESS WHEREOF, I have affixed my hand this 2nd day of February, 1962.

Katherine B. Kitzmiller
Court Reporter

