

P

IPM06NM

4-024100S295 10/22/86

ICS IPMRNCZ CSP

5057462422 TDRN ARTESIA NM 47 10-22 0255P EST

PMS RL STAMETS, DLR

OIL CONSERVATION DIVISION RPT DLY MGM, RUSH DLY, DLR

STATE LAND OFFICE

SANTA FE NM 87501

WE RESPECTFULLY REQUEST AN EXTENSION OF TIME ON RULE 118-HYDROGEN SULFIDE. WE WOULD LIKE TO CONDUCT FURTHER STUDIES IN ORDER TO BE MORE KNOWLEDGABLE ABOUT THE PROBLEM WHEN A MEETING IS HELD. WE DO NOT FEEL THE NOTICE DATED OCTOBER 1 GAVE US SUFFICIENT TIME TO PREPARE.

MARBOB ENERGY CORP

PO DRAWER 217

ARTESIA NM 88211-0217

1454 EST

IPM06NM

IPM06NM

4-021768S295 10/22/86

ICS IPMRNCZ CSP

5057469829 TDRN ARTESIA NM 48 10-22 0220P EST

PMS MR R L STAMETS RPT DLY MGM, DLR

OIL CONSERVATION DIVISION

STATE LAND OFFICE BUILDING

SANTA FE NM 87105

WE RESPECTFULLY REQUEST AN EXTENSION OF TIME ON RULE NO. 118-HYDROGEN SULPHIDE. THE THREE WEEKS NOTICE GIVEN TO US HAS NOT ALLOWED SUFFICIENT TIME TO US TO RESEARCH AND FORM A PROPER OPINION TO THE PROPOSED RULE. IF GIVEN THE TIME, WE CERTAINLY WILL RESEARCH IT WITH DUE DILIGENCE.

RALPH NIX OIL COMPANY

PO BOX 440

ARTESIA NM 83210

1418 EST

IPM06NM



November 11, 1986

**Sun Exploration and
Production Company**

Four NorthPark East
5656 Blackwell
P O Box 2880
Dallas TX 75221-2880
214 890 6000

State of New Mexico
Oil Conservation Commission
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

Attn: Mr. R. L. Stamets, Director

RE: Comments on Proposed Rules

Dear Mr. Stamets:

Please accept the following as Sun Exploration and Production Company's formal comments on the proposed rule additions and amendments which are set for hearing on November 20, 1986.

Case 9010

Adoption of New Rule 118

Paragraph A:

1. The phrase "known H₂S producing area" is vague and could lead to abuse of this rule. Clarification should be included by rule or policy which specifies how a "known H₂S producing area" is designated. Consideration should be given to publication of a list of the current "known H₂S producing areas."

2. The term "dangerous concentrations" is vague as used in this paragraph. According to the remaining parts of this rule, one could assume 500 ppm. Clarification of this term and the intent should be set forth in this paragraph.

Paragraph B:

No comment.

Paragraph C.1:

1. Sun currently has signs posted on many of our New Mexico leases with similar wording to the required "Danger-Poisonous Gas". However, our signs are printed with the colors black, red and white instead of the required black and yellow coloring. Some signs use the word "Caution" instead of "Danger". Wording such as "unless an existing sign is in place" or "any other color acceptable to the Director" should be added to this paragraph to allow flexibility for sign installation as long as the sign indicates an existence of a potential hazard.

Paragraph C.2:

1. It is our understanding that the purpose of the sign required by this paragraph is to make the public aware of an eminent danger if they are trespassing around our tank batteries. It is not appropriate to require "a second sign at the foot of the battery stairway stating "Fresh Air Breathing Equipment Required Beyond This Point" when such equipment is not indeed required. Operators are not required to and do not carry such equipment, but in many cases are assigned personal H₂S monitors that will alarm at 20 ppm. Sun suggests that no requirement or recommendation be made for such a sign, but suggests an alternative sign which reads, "DO NOT ENTER. AUTHORIZED PERSONNEL ONLY-POISON GAS PRESENT".

Paragraph C.3:

1. The fact that all three requirements of this paragraph must be met prior to requiring automatic detection equipment should be clarified.

2. The phrase "as much as 10 MCFPD of H₂S" should be clarified. It is our understanding that this phrase means 10 MCF per day of 100% H₂S.

Paragraph D:

No Comment.

Case 9012

Amendment of Rule 701 B and D

Sun recommends adoption of these amendments as published which eliminate the requirement for a hearing for certain disposal well applications.

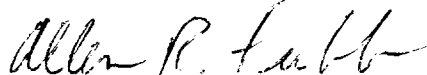
Case 9016

Adoption of New Rule 414

Sun recommends that no action be taken on these new rules designed to regulate sales of gas by separate owners in a well. Sun requests that Case 9016 be dismissed.

Thank you for this opportunity to respond by written comment.

Yours very truly,



Allen R. Tubb
Conservation Attorney

ART:laa



NEW MEXICO OIL & GAS ASSOCIATION

1227 Paseo de Peralta • P.O. Box 1864 • Santa Fe, N.M. 87504-1864

Telephone (505) 982-2568

October 22, 1986

Richard L. Stamets
Oil Conservation Division
P.O. Box 2088
Santa Fe, N.M. 87504-2088

Case 9010

Dear Mr. Stamets:

SUBJECT: PROPOSED RULE RELATIVE TO HYDROGEN SULFIDE GAS - RULE 118


The New Mexico Oil & Gas Association has reviewed proposed Rule 118 and found several concerns. Because of the short time our members have had to analyze the proposed rule, it is probable we will receive further comments. However, I would like to share the following with you:

1. There are sections that need clarification so the operator can meet the intent of the rule. In particular, we are concerned about Sections C.2., C.3., and D. Some discussion of Sections C.2. and C.3. follows.
2. At Section C.1., about danger signs, ANSI 35.1 "USA Standard Specifications for Accident Prevention Signs" requires danger signs to be red, black, and white, not black and yellow. Also, danger signs are appropriate only where an immediate hazard exists. It has been our experience that H₂S seldom presents an immediate hazard. Certainly H₂S presents a potential hazard, thus we find that caution signs (black and yellow) are appropriate for most applications.
3. At Section C.2. requiring a sign specifying the use of fresh air breathing apparatus at a battery on a lease with an H₂S concentration of 1000 ppm, the mere presence of 1000ppm on a lease does not necessarily create a dangerous condition at a battery so that such extreme protective measures would be required. Potential exposure conditions for a worker(s) should be a governing factor. Also, there are those who believe that personal monitors are adequate to ensure safety of the worker. Section C.2. offers no option.

4. At Section C.3. requiring automatic monitors at concentrations of 10,000 ppm and H₂S rates of 10 mcfpd or more where the public is within one-fourth mile, the requirements are much too restrictive. Most importantly, we believe there is a much more effective option and that is through operating procedures and practices that will prevent a leak and further prevent the continued escape if one should occur. Although automatic monitors do have application, it is limited. Monitoring systems can be costly, difficult to maintain, and yet provide only very questionable benefit.
5. The foregoing items deal with readily apparent concerns about provisions in Rule 118 as currently written. Further study may reveal other areas of concern. Also, and perhaps more important, are possible omissions because the rule is so short. This is not to say that the rule's brevity is wrong, but merely indicates the need for additional thought and perhaps study of other rules and standards to help ensure the intent of Rule 118 will be achieved.

Because of these areas of concern and the likelihood that further comments will be forthcoming, the New Mexico Oil & Gas Association respectfully requests that a final decision concerning the adoption of these rules be continued and that further hearing opportunities be allowed.

Very truly yours,


D. Van De Graaff
Executive Vice President

DV:ra

PHILLIPS PETROLEUM COMPANY'S
PROPOSED ALTERNATIVE TO RULE 118
HYDROGEN SULFIDE GAS

CASE 9010:

RULE 118. Hydrogen Sulfide

- A. Wells drilled in known H₂S-producing areas where the calculated 100 ppm radius of exposure (ROE) includes a public area or is 3,000 feet or greater should be planned, drilled and completed with due regard to, and guidance from, "Recommended Procedures (RP #49) for Drilling....." published by the American Petroleum Institute, latest edition.
- B. Within 180 days after promulgation of this rule or within 90 days after completion of the first well on a lease, each operator in ~~Chaves, Eddy, Lea and Roosevelt Counties~~ shall submit to the Division's district office having jurisdiction, for each lease in each pool in production at that time, a gas analysis of a representative sample of the gas stream showing the hydrogen sulfide concentration. The analysis shall be performed by an industry-recognized method and procedure. In the event it is impractical to furnish a gas stream analysis, the operator may submit a measurement of hydrogen sulfide in the tank vapors performed by an industry-recognized method and procedure. The measurement shall be reported in writing specifying the name of operator, lease, pool, tester, test method, measured H₂S concentration, and the maximum available gas escape rate. This written information shall be provided on NMOCD Form _____.
- C. 1. Any lease producing or processing plant handling gas with H₂S concentration of 500 ppm (0.05%) or more shall have a plainly visible warning sign at the tank battery or plant entrance stating "Caution - Poisonous Gas" in black and yellow colors, legible from at least 50 feet.
2. Any lease producing gas with H₂S concentration of 1,000 ppm (0.1%) or more shall have, in addition to the sign required in subparagraph 1, a second sign at the foot of the battery stairway stating "Lethal Concentrations of Poisonous Gas May Be Present Beyond This Point." If the 100 ppm ROE is greater than 50 feet an additional sign as described in subparagraph 1 shall be posted at each road entrance to the lease.
3. Any lease producing or processing plant handling gas with H₂S concentration as described by (a)-(c) below shall install an automatic detection and warning device to prevent the undetected continuing escape of dangerous concentrations of H₂S. In addition, the operator shall prepare a contingency plan to be carried out should a substantial portion of the gas stream be released, or conditions exist which threaten control of the stream. The plan shall provide for notification of endangered parties as well as law enforcement personnel and institution of measures for closing in the flow of gas.
- (a) The 100 ppm ROE is in excess of 50 feet and includes any part of a "public area" except a public road.
- (b) The 500 ppm ROE is greater than 50 feet and includes any part of a public road.

(c) The 100 ppm radius of exposure is greater than 3,000 feet.

- D. The operator of a lease producing or gas processing plant handling hydrogen sulfide gas with a 100 ppm ROE greater than 50 feet shall take appropriate measures to inform persons having occasion to be on or near the property. Such measures may include, but are not limited to, training in the characteristics and dangers of H_2S , warning signs, fencing the more dangerous areas, provision of and requiring use of fresh air breathing equipment, monitoring and warning devices, wind direction indicators, and maintaining tanks, thief hatches and gaskets, valves and piping in condition so as to prevent avoidable loss of vapors. Where release of hydrogen sulfide is unavoidable, the operator, when feasible, shall burn the gas stream or vent from an elevated stack in such a manner as to avoid endangering human life.
- E. Definitions. The following words and terms, when used in this section, shall have the following meanings, unless the context clearly indicates otherwise:
1. Public area: A dwelling, place of business, church, school, hospital, school bus stop, government building, a public road, all or any portion of a park, city, town, village, or other similar area that can expect to be populated.

Radius of Exposure (ROE) Determination:

100 ppm ROE = $[(1.589)(\text{mole fraction } H_2S)(Q)]$ to the power of (0.6258)

500 ppm ROE = $[(0.456)(\text{mole fraction } H_2S)(Q)]$ to the power of (0.6258)

Where: ROE = radius of exposure, feet

Q = maximum volume determined to be available for escape, cubic feet per day

H_2S = mole fraction of hydrogen sulfide in the gaseous mixture available for escape

New Mexico Oil Conservation Division Form _____

Operator: _____

Lease: _____

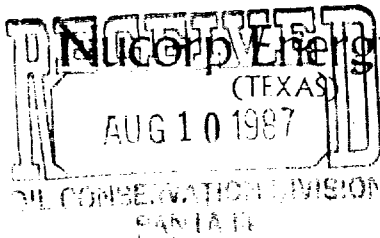
Pool: _____

Tester: _____

Test Method: _____

H_2S Concentration (ppm): _____

Maximum Available Gas Escape Rate (MSCFD): _____



Nucorp Energy, Inc.

1250 N.E. Loop 410, Suite 400
San Antonio, Texas 78209-1181 • (512) 828-8027

August 6, 1987

State of New Mexico
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

RE: CASE NO. 9010 - ORDER NO. R-8363

Gentlemen:

Pursuant to subject Order, we enclose herewith completed Exhibit "B" covering Nucorp's facility; i.e., State 23, Well #1, East Caprock (Penn) Field, Lea County, New Mexico.

If further information is required, please contact the undersigned.

Very truly yours,

A handwritten signature in cursive script that reads "Dora McGough".

Dora McGough
Production Supervisor

svt

Enclosure

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION
H₂S REPORTING FORM
DIVISION RULE 118

OPERATOR: NUCORP ENERGY, INC.

ADDRESS: 1250 N.E. Loop 410, Suite 400

San Antonio, Texas 78209

E. CAPROCK (PENN)

(Pool, Plant, or Facility Name)

Location, Plant or Facility	Well No.	Sampling Point (Tank, Separator, etc.)	Location USTR	Name of Tester	Test Method	Test Date	H ₂ S Concentration (Report in PPM) Vol. if available
STATE 23	#1	Sales Meter & Wellhead	K-23-12S-32E	New Tex Lab	Tetweiler	7-30-87	-0-

Signed: *Dora M. Gentry*
Title: Production Supervisor

NEW MEXICO OIL CONSERVATION COMMISSION

COMMISSION HEARING

SANTA FE, NEW MEXICO

Hearing Date NOVEMBER 20, 1986 Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
Larry Sanders	Phillips Petroleum Company	Odessa, Texas
George Ferry	Phillips Petroleum Company	Odessa, Texas
Don Bratton	Zia Energy	Hobbs, N.M.
Jarvis Nelson	Zia Energy, Inc.	Hobbs, N.M.
Randy Lutken	Northern Natural Gas Co.	Omaha, Nebraska
LuAnn Tauchman	NORTHERN NATURAL GAS	OMAHA, NE
Laurie Willemyns	Northern Natural Gas	Omaha, NE
Randy Pitre	Cities Service Oil & Gas	Tulsa, OKIA
Warren Curtis	Northwest Pipeline	SLC Utah
JOE Fields	Northwest Pipeline	SLC UT
LeRoy Troop	ARCO Oil & Gas	M. d. Land
Charles Crump	Depeco Inc.	Denver
Michael L. L...	Self	
R. R. Keendrick	El Paso Natural Gas Co.	Midland
Dan Grijard	Harvey & Keendrick	El Paso, TX
G. R. Keendrick	Courtsland	Roswell
Dan Corrows	Amoco Prod. Co.	Wylee
E. C. Allen	" " "	Hawson
Beth Miller	Byram	"
Harvey Haff	Teneco Oil	Santer Le
		Denver CO

NEW MEXICO OIL CONSERVATION COMMISSION

COMMISSION HEARING

SANTA FE, NEW MEXICO

Hearing Date NOVEMBER 20, 1986 Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
Scott Hall	Campbell + Black	Santa Fe
DAVE BONEAU	YATES PETROLEUM	ARTESIA
Charles Vergue	Caulkins Oil Co	Farmington
Everette L. Pace	Shell Western E&P Inc	Houston
William Clark	Blackwood & Nichols	Burns, Co
Ernst L. Padilla	Padilla & Snyder	SF
James Groce	Barbara Fasten	Midland, Tx.
Robert H. Strand	Atwood, Malone Law Firm	Roswell, NM
Peter M. Mueller	Tenneco Oil	Denver, Co
Louis Jones	" "	" "
Thomas L. Hill	Mobil Prod. Tx & N.M. Inc	Midland Tx
Aaron L. Colvill	F A. Schultz	Dallas Tex
Fred E. Turner	TURNER PROD CO. LOPLATA GATHERING SYSTEM INC. DALLAS, TX. S. GLENN TURNER HEIR	
J. GLENN TURNER, SR.		
Bill J. Gallagher	Chevron USA Inc	Houston
Hugh Ingram	Conoco	HOBBS
Sarah D. Smith	GAS CO. OF N.M.	ALBUQ.
James W. Rogers	Honey Petroleum Inc	Midland, Tx

NEW MEXICO OIL CONSERVATION COMMISSION

COMMISSION HEARING

SANTA FE, NEW MEXICO

Hearing Date NOVEMBER 20, 1986 Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
<i>J. W. Collier</i>	Cities Service Oil & Gas Co.	MIDLAND, TX
J. W. COLLIER	AMOCO PRODUCTION Co.	HOUSTON, TEX.
Martin Boggs	Southern Union Exp. Co.	FARMINGTON, NM.
MARTHA HENDERSON	ARCO OIL & GAS CO.	MIDLAND, TX
Joseph D Stewart	Columbus Energy Corp.	DENVER CO
<i>Dale Richardson</i>	Columbus Energy Corp.	FARMINGTON, NM.
<i>John Paul Day</i>	<i>Samuel & Blush, Phillips</i>	<i>Santa Fe</i>
<i>John Paul Day</i>	<i>John Paul Day</i>	<i>Roswell NM</i>
Bruce Williams	AMOCO	FARMINGTON
Dennis Morsen	So. Union Expl.	Dallas
Bill Murrell	Phillips 76	Albany
Roxanne Parks	Sun Expl. & Prod. Co.	Midland
Evelyn Downy	OCD	Hobbs
<i>Jim Soto</i>	✓	✓
<i>Des Clement</i>	✓	ARTESIA
<i>W. W. W. W.</i>	Isac Co of NM	ALBUQ
<i>Mahe Wheeler</i>	" "	" "
<i>Wade Pagan</i>	Merrill Oil	FARMINGTON
<i>Van L. Leibel</i>	"	"

NEW MEXICO OIL CONSERVATION COMMISSION

COMMISSION HEARING

SANTA FE, NEW MEXICO

Hearing Date NOVEMBER 20, 1986 Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
GEORGE LIPFORD	CONOCO INC	Houston
JOHNNY M MORGAN	YATES PET	ARTESIA
DAVID LUGAR	CONOCO INC	Houston
Charles Blackwood	Blackwood + Nichols	Oklahoma City,
Jon Duke	Gas Co. of N.M	Alb.
Terry S. Stevens	" "	"
Paul Bruce	Pennzoil	Midland, TX
Ken Wood	"	"
Jim Bruce	Hinkle Law Firm	SF
Greg Davis	Pennzoil	Midland, TX
Bill Duncan	Exxon	"
Bob Stogell	Dugan Prod	Fort Worth
Mary Ellen Kargas	Consolidated Oil & Gas	Denver
Dan Ritter	Cous Engr	S.F.
Ala. Ala.	Amoco	Denver
W. T. Keller	N.M.O.C.C.	San Jose
W. T. Keller	Keller Keller & Kelley	Santa Fe

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO

20 November 1986

COMMISSION HEARING

IN THE MATTER OF:

The hearing called by the Oil Con- CASE
servation Division on its own motion 9010
for the adoption of a new Rule 118.

BEFORE: Richard L. Stamets, Chairman
Ed Kelley, Commissioner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division: Jeff Taylor
Legal Counsel for the Division
Oil Conservation Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

Further appearances listed on Pages 2 thru
3, inclusive.

1	For Phillips Petroleum,	W. Thomas Kellahin
2	Lewis B. Burleson, &	Attorney at Law
3	Tenneco:	KELLAHIN, KELLAHIN & AUBREY
4		P.O. Box 2265
		Santa Fe, New Mexico 87501
5	For Dugan Production,	Robert G. Stovall
6	C&E Operators Inc.	Attorney at Law
7	La Plata Gathering	Dugan Production Corp.
8	System, Inc., Turner	P.O. Box 208
9	Production System,	Farmington, New Mexico 87499
10	A.R. Kendrick, &	
11	Merrion Oil & Gas:	
12		
13	For Independent Petroleum	Robert H. Strand
14	Assn. of New Mexico,	Attorney at Law
15	Doyle Hartman, and	ATWOOD, MALONE, MANN & TURNER
16	Alpha Twenty-One Prod.:	Roswell, New Mexico 88201
17		
18	For Amoco Production Co.,	J. Scott Hall
19	Blackwood & Nichols,	Attorney at Law
20	Exxon Company USA,	CAMPBELL & BLACK, P.A.
21	Union Texas Petroleum,	P.O. Box 2208
22	Unocal Corp., Yates	Santa Fe, New Mexico 87501
23	Petroleum Corp., Mobile	
24	Producing Texas and	
25	New Mexico, and Columbus	
	Energy Corp.:	
16	For Southern Union	Dennis K. Morgan
17	Exploration:	Southern Union Exploration
18		Company
19		Texas Federal Bldg.
20		1217 Main Street
21		Dallas, Texas 75202
22		
23	For BHP Petroleum &	James Bruce
24	(Americas) Inc.:	Attorney at Law
25		HINKLE LAW FIRM
		P.O. Box 2068
		Santa Fe, New Mexico 87501
	For Amoco Production:	Daniel S. Currens
		Attorney at Law
		Amoco Production Company
		Houston, Texas

1 For Michael Klein &
2 John R. Hendrix:

Ernest L. Padilla
Attorney at Law
PADILLA & SNYDER
P.O. Box 2523
Santa Fe, New Mexico 87501

4 For Northwest Pipeline:

Del Draper
Attorney at Law
Northwest Pipeline Corporation
295 Chipeta Way
Salt Lake City, Utah 84108

7 For Gas Company of New
8 Mexico:

Jonathon Duke
Gas Company of New Mexico

9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I N D E X

VICTOR T. LYON

Direct Examination by Mr. Taylor	7
Cross Examination by Mr. Stamets	17
Cross Examination by Mr. Kelley	18
Cross Examination by Mr. Hall	20
Cross Examination by Mr. Stovall	21
Questions by Mr. Trood	23
Questions by Mr. Motter	24

A. R. KENDRICK

Direct Examination by Mr. Stovall	26
Cross Examination by Mr. Taylor	29
Cross Examination by Mr. Stamets	33
Redirect Examination by Mr. Stovall	36

WILLIAM J. MUELLER

Direct Examination by Mr. Kellahin	38
------------------------------------	----

Exhibit One, Proposal	39
-----------------------	----

STATEMENT BY MR. CURRENS	41
--------------------------	----

STATEMENT BY MR. INGRAM	43
-------------------------	----

1

2

3

MR. STAMETS: The hearing will
please come to order.

4

5

I would like to say a few words
before we start.

6

7

8

9

10

What we plan to do today is go
through these cases one at a time. In -- in some cases
there will be some additional presentations by either the
Division staff or the committee chairman or a committee rep-
resentative.

11

12

13

Some of the alternate language
has been circulated in a memorandum which I sent out with
the docket for this hearing.

14

15

16

There will be questions allowed
of the witnesses and then we will take any additional tes-
timony and conclude that case and move on to the next one.

17

18

19

20

21

22

23

This is the day which has been
chosen by the LFC for a committee hearing on our budgets, so
Mr. Kelley and I will have to take a sabbatical sometime
this afternoon; that LFC hearing is supposed to start at
1:30. We're going to have someone stationed up there who
will call us and we will not go up there and sit and waste
your time and our time, too.

24

25

I don't expect that hearing
will last more than an hour, and then we would be back ready

1 to resume the hearing.

2 Unless there are any questions
3 about procedures or any other issues, we'll then proceed by
4 continuing Case 9010.

5 Mr. Taylor.

6 MR. TAYLOR: May it please the
7 Examiner, my name is Jeff Taylor, Counsel for the Division.

8 I have one witness to be sworn
9 in.

10 MR. STAMETS: Is this a new
11 witness or the same witness?

12 MR. TAYLOR: The same witness.

13 MR. STAMETS: Okay, there is no
14 need to re-swear any witnesses today that have previously
15 been sworn.

16
17 (Thereupon a discussion was had off the record.)

18
19 MR. STAMETS: Well, let's --
20 let's move on quickly, then. Dave Catanach is here, so
21 let's take 9012 first.

22
23 (Thereupon Case 9010 was continued to a later
24 time on the same date and docket.)

25

1
2 MR. TAYLOR: Mr. Commissioner,
3 we have Vic Lyon in this case.
4

5 VICTOR T. LYON,
6 being previously called and sworn and remaining under oath,
7 testified as follows, to-wit:
8

9 DIRECT EXAMINATION

10 BY MR. TAYLOR:

11 Q Mr. Lyon, you are the witness in this
12 case when it was first heard on October 23rd, were you not?

13 A Yes, I was.

14 Q And at that time you were qualified and
15 sworn?

16 A Yes, sir.

17 Q Are you familiar with the matters in this
18 case and the occurrences since the date of the last hearing?

19 A Yes.

20 Q What's happened since the date of the
21 last hearing? Have you re-formulated the rule or has the
22 committee met to study this rule?

23 A At the conclusion of the hearing last
24 month there were several parties who expressed an interest
25 in working in a committee to review these rules and put them

1 in a satisfactory form and content.

2 We did form the committee and perhaps in
3 an over-ambitious, excessively optimistic tone, I allocated
4 about three hours to -- to the committee meeting and we
5 didn't get very far.

6 So we met again yesterday. The first
7 meeting was on the 12th of November. We met again yesterday
8 and hammered out a rule which I think we had reasonable con-
9 sensus on.

10 Copies of these rules are back at the
11 table next to the door if anybody's interested in looking at
12 them.

13 We have reorganized the rule. The con-
14 tent is essentially the same but we have made some -- some
15 changes in there which I think show the value of having one
16 -- more than one head looking at rules.

17 Q Maybe it would be useful before you get
18 into the rule itself to just briefly tell us what the focus
19 of the discussions at the committee meeting were.

20 A Well, the -- the discussion at the com-
21 mittee meetings were directed at some of the problems that
22 were perceived from some of the language that I had drafted,
23 and in trying to make them entirely reasonable and yet not
24 involve a long, involved, complicated, rule, as we have in
25 our neighboring state.

1 Q I assume that the focus of the rule is
2 still the safety of the general public --

3 A That is true.

4 Q -- those things didn't change it.

5 Would you then go through your new
6 proposed rule and maybe where appropriate show the
7 differences with the proposed -- the rule proposed on
8 October 23rd and just discuss for the -- the rule and how
9 it's working.

10 A Well, in connection with -- with what you
11 have just stated about the intent of the rule, we took the
12 first paragraph to state that intent and it reads:

13 "The intent of this rule is to provide
14 for the protection of the public safety in areas where
15 hydrogen sulfide (H₂S) gas in concentrations greater than
16 100 parts per million (PPM) may be encountered."

17 And in making this change we -- we made
18 it clear that areas that -- that do not have hydrogen
19 sulfide present are not affected by this rule whatsoever.

20 And also we eliminated the reference to
21 the four southeast counties so that this applies anywhere
22 in the state that H₂S in concentrations of 100 parts per
23 million, or more, are encountered.

24 I've got so many versions of this rule
25 here that I'm having a little trouble finding the original

1 to make the comparison that you requested.

2 Incidentally, the first thing that we did
3 when we set up this committee and called the meeting was to
4 furnish the committee members, and sent them copies of all
5 the written comments that -- that we received up to the time
6 -- well, even up to the one that was received just this
7 month.

8 Those that we had received at that time,
9 we mailed out with the notice of the meeting and they have
10 been furnished all the comments. So all written comments
11 have been considered by this committee.

12 LADY IN AUDIENCE: Excuse me,
13 who was on the committee?

14 A The committee consists of J. Todd Miller,
15 with Daniels Insurance; H. A. Ingram, with Conoco; Darwin
16 Van De Graaff of -- anyhow, he heads up the New Mexico Oil
17 and Gas Association -- I can't remember whether he's presi-
18 dent or vice president; Jim Collier, with Amoco; D. B. Weh-
19 meyer, with Texaco; E. L. Pace, with Shell; Johnny Morgan,
20 with Yates, and myself.

21 All right. The provision B, which we had
22 in the original rules, has been moved to paragraph D, and we
23 have changed these other paragraphs around. I'll see if I
24 can identify them as I go through.

25 Paragraph D of the original rule has been

1 moved up to Paragraph B, and it is a general statement of
2 the responsibilities of the -- of the operator. It suggests
3 that he be guided by the API publication Conducting Oil and
4 Gas Production Operations Involving Hydrogen Sulfide, which
5 is RP-55; recommended practices is what the RP stands for,
6 and it provides in generalities what measures he should take
7 to protect the public if he has H₂S in concentrations of 100
8 parts per million or more on his -- on his property.

9 We then go into areas of increasing con-
10 centrations of hydrogen sulfide, where if there is -- well,
11 then we go into the drilling, I'm sorry. Paragraph C invol-
12 ves the drilling and workover requirements, and it suggests
13 that the operator be guided by RP 49, which is the API's Re-
14 commended Practices for Safe Drilling of Wells Containing
15 Hydrogen Sulfide.

16 There is a draft of recommended practices
17 being developed for completion and workover operations and
18 we have referred to those -- that at the last sentence of
19 Paragraph C, and it says:

20 "These practices may include" -- oh, ex-
21 cuse me, the last two sentences.

22 "Wells completed and serviced by well
23 servicing units where there is substantial probability of
24 encountering H₂S gas in concentrations of 100 parts per mil-
25 lion, or more, should be worked on with due regard to the

1 latest industry accepted practices. These practices may
2 include but are not necessarily limited to the proper train-
3 ing of personnel in H₂S safety and the use of H₂S safety
4 equipment, as listed for safe operations by the American
5 Petroleum Institute draft report for 'Land, Oil and Gas Well
6 Servicing and Workover Operations Involving Hydrogen Sul-
7 fide'."

8 There is an asterisk there referring to a
9 note on the back page, the bottom paragraph, that says, "At
10 such time as the API adopts the 'Recommended Practice for
11 Land, Oil and Gas Well Servicing and Workover Operations In-
12 volving Hydrogen Sulfide', it shall take the place of any
13 previous draft reports."

14 Paragraph D requires the testing and sub-
15 mission of the results of tests "within ninety days after
16 promulgation of this rule, or within ninety days after com-
17 pletion of the first well on a lease, or within ninety days
18 after H₂S is discovered in a gas stream".

19 The report is to be submitted to the ap-
20 propriate District Office of the Division having jurisdic-
21 tion of the area.

22 The analysis is to be performed by an in-
23 dustry-recognized method and procedure, and the measurement
24 report shall specify, and this is to be submitted in writ-
25 ing, the name of the operator, lease, pool, testing point,

1 tester, test method, and the measured H₂S concentration.

2 Then we state that "tests within the past
3 three years, and which are still representative may be uti-
4 lized for submittal from previously producing leases."

5 Then we have a provision that "any well
6 or lease or processing plant handling H₂S gas with concen-
7 tration of 500 parts per million should have a warning sign
8 at the entrance" and rather than specify the exact language
9 or any specific colors, we state -- the rule states that
10 "the sign as a minimum shall be legible from at least fifty
11 feet and contain the words 'poison gas'. The use of exis-
12 ting signs would meet the requirements of this section pro-
13 viding they convey ...", I think we left something out
14 there, the use of existing signs, "...the use of existing
15 signs will meet the requirements of this section provided
16 they convey the intended safety message."

17 Then "any lease producing gas with H₂S
18 concentration of 1000 parts per million, or more, shall
19 have, in addition to the sign required in the paragraph I
20 just read, a sign at the foot of the battery stairway that
21 shall accomplish the requirements of E-1 plus specify any
22 protective measures that may be necessary.

23 An example of that kind of message might
24 be Extreme Danger, Stay Out, or Stay Off, or anything that
25 plainly gets the message across that there is a real danger

1 of anybody who trespasses into that area, you know, or per-
2 haps even Unauthorized Persons Keep Out, Poisonous Gas.

3 The next paragraph covers the situation
4 "where a lease or a well or a processing plant handling gas
5 with H₂S concentration and volume such that the H₂S fraction
6 equates to 10 Mcf per day or more of H₂S and which is lo-
7 cated within 1/4 mile of a dwelling, or public place, or
8 highway, shall install safety devices and maintain them in
9 operable condition or shall establish safety procedures de-
10 signed to prevent the undetected continuing escape of H₂S."

11 We have written this paragraph to provide
12 as much flexibility as possible and yet get the message over
13 to the operator that in this situation he needs to take ap-
14 propriate measures.

15 We have also provided in the next sen-
16 tence that if an operator wishes to make calculations using
17 the Pascal-Gifford (sic) dispersion equations and can show
18 that -- that the radius of exposure of 100 parts per million
19 H₂S, does not impinge on a public place or highway, that he
20 would not be required to do the things which are specified
21 in this paragraph.

22 The language that I refer to states, "The
23 oeprator, as an alternative, may use Figure 4.1 of API RP-
24 55, revised March, 1983, and if the 100 ppm radius of expo-
25 sure includes a dwelling, public place, or highway, the

1 operator must meet the public safety requirements as speci-
2 fied in this section."

3 And then we have rather specific measures
4 which need to be taken, which are, "Wind direction indica-
5 tors shall be installed at at least one strategic location
6 at or near the site and shall be readily visible throughout
7 the site. Also, unattended surface facilities or plants
8 within 1/4 mile of a dwelling or meeting place shall be pro-
9 tected from public access by fencing and locking, or other
10 equivalent security means.

11 In addition, the operator shall prepare a
12 contingency plan to be carried out should the public be
13 threatened by a release. The plan shall provide for notifi-
14 cation of endangered parties, as well as public safety per-
15 sonnel, for evacuation threatened parties as warranted and
16 institute of measures for closing in the flow of gas."

17 Q Just a couple of questions, because I
18 know we already have testimony on this last week, but things
19 that were raised -- or last meeting, a couple of things that
20 were raised by the audience at that time related to forms
21 for reporting this and to whether there's going to be any
22 method whereby the Division is going to keep records or in-
23 formation as to these areas, so an operator would know
24 whether they're moving into such an area.

25 Would you address those for us?

1 A Yes. We have not specified a form. All
2 we did was to specify the content of the notice and we have
3 no problem with somebody just providing a tabular representation
4 of all of -- all of the leases on which tests are
5 being submitted and the information required for each test.

6 Probably, in a lot of instances, an
7 existing analysis will not have the name of the tester or
8 the point that was tested, and so forth, and we will accept
9 those with some indication that that information is not
10 available.

11 Q And the other question about whether the
12 Division is going to -- is able now or in the future will be
13 able to advise operators of the H2S areas in the state.

14 A Well, I think at the present time our
15 District offices have a pretty good idea of where H2S is
16 likely to occur. This information will certainly be improved
17 by the submission of these reports, the reports of
18 the tests and analysis.

19 It, as I envision the situation, the District
20 on receiving a C-101 for a proposed well would advise
21 the operator that this is an area where H2S is likely to be
22 found.

23 Q Thank you. Mr. Lyon, do you recommend
24 adoption of Rule 118 as proposed today?

25 A Yes, I do.

1 MR. TAYLOR: That's all we have
2 in this case.

3

4

CROSS EXAMINATION

5

BY MR. STAMETS:

6

Q Mr. Lyon, Division rules don't often say
7 waht the intent is right up front like that. I'm not sure
8 that that's a bad idea. Is it possible that the intent
9 could be spelled out by a change in Paragraph A to read
10 something like operators of oil and gas wells and operators
11 of gas processing plants, shall provide for protection of
12 the public in areas where H2S gas in concentrations greater
13 than 100 PPM may be encountered?

14

A I think that would give the same message,
15 yes, sir.

16

Q Then on page 2, Paragraph D, it would
17 seem as though there's a requirement there that operators of
18 leases provide us this information but it's not clear to me
19 that an operator of a gas processing plant would be required
20 to supply the same information.

21

A That's true.

22

Q Do you believe that plant operators
23 should?

24

A Well, the plant operator probably knows
25 the concentration. I think it might be well for our records

1 to have an idea of what the H2S content of his stream is.

2 Q So that paragraph could be modified to
3 require reporting by plant operators, as well.

4 A Right.

5 Q And the asterisk at the end, I'm not
6 clear on what is meant there. Do you mean that once the
7 final recommended practice is out that that should be then
8 substituted for the draft report?

9 A Yes, that -- that report is presently in
10 draft form only and has not been adopted and published by
11 the API.

12 MR. STAMETS: Are there other
13 questions of this witness?

14 Mr. Kelley?

15 MR. KELLEY: Yeah.

16

17 CROSS EXAMINATION

18 BY MR. KELLEY:

19 Q This is a matter of format on Paragraph
20 B, to make it kind of flow with the rest of your paragraphs,
21 I'd like to suggest deleting the word "producing" and put-
22 ting the word "these" in its place, and making that first
23 sentence your second sentence in that paragraph. It would
24 be more in line with the rest of your paragraphs, starting
25 off with the purpose and then your reference to that pur-

1 pose.

2 A You're saying take -- make that change in
3 the first sentence of paragraph B and add that to paragraph
4 A, and then --

5 Q Take that whole sentence out, start with
6 your second sentence, "The operator of a lease...". Down at
7 the end of that sentence then reinsert the very first sen-
8 tence.

9 Make that one change as sentence number
10 two.

11 MR. STAMETS: Reverse the first
12 two sentences in Paragraph B.

13 A Oh. Okay. That second sentence is a lu-
14 lu. Oh, no, I'd read the two -- okay, I'm with you.

15 MR. STAMETS: Does that edit-
16 orial change affect the intent of that paragraph in any way?

17 A Well, I feel that it really --

18 Q If you'll look at your Paragraph C,
19 you'll see that you've done the same thing on it. You start
20 off with a lead sentence and then you go through your --

21 A Uh-huh.

22 Q -- reference to a publication; just for
23 consistency. It's just an editorial problem of technique.

24 A Yes. I need to look at that a little
25 closer.

1 MR. STAMETS: Are there any
2 other questions of the witness?

3 Mr. Hall.
4

5 CROSS EXAMINATION

6 BY MR. HALL:

7 Q Mr. Chairman, I wonder if any considera-
8 tion has been given to whether this same subject matter is
9 being regulated or proposed to be regulated by any other
10 state agency, particularly the Environmental Improvement
11 Division?

12 A We have had some preliminary discussions
13 with -- with the EID and their authority goes -- through
14 their Office of Safety and Health -- goes to the worker.
15 These rules are not intended to be directed to the worker.
16 This is to protect the general public, and we have had some
17 preliminary discussions about a cooperative effort. They are
18 working, and there might be some cooperation between the two
19 agencies in our helping them police their end of it, but
20 those are very preliminary discussions and we have not had
21 any more than just a short preliminary meeting to discuss
22 those possibilities, but we are working together.

23 Q I wonder if either or both the agencies
24 might consider putting out some sort of letter of intent to
25 the public for purposes of reporting, like, in other words,

1 defining to the industry, in effect, the -- to which agency
2 they must report under either regulatory scheme.

3 A Well, I suppose that -- that could be
4 worked out somewhere in there.

5 MR. STAMETS: Other questions?

6 Mr. Stovall, do you have a
7 question?

8

9 CROSS EXAMINATION

10 BY MR. STOVALL:

11 Q I did. Just a question as to what the
12 intent in Paragraph E, "any well or lease or processing
13 plant handling H2S gas shall have a warning sign at the
14 entrance." Still concerned a little bit with -- with
15 respect to a lease. What do you mean by the entrance to a
16 lease?

17 How would it -- what is the compliance
18 to that rule as you would -- as it is written here?

19 A Well, let's see, it seems to me that we
20 had discussed using the word "site" there. We had a lot of
21 discussions about the situation in Hobbs, where, of course,
22 the -- Hobbs sits on top of the Hobbs Oil Pool, and how you
23 would place signs in there to properly notify people.

24 Under this provision we had envisioned
25 that -- that those sites located inside the city are fenced,

1 and you would place a sign on or near the fence at the gate.
2 That would be the entrance for that site. And as to remote
3 areas, then I would think that the road that enters the
4 lease would be the place to have the sign.

5 Q Did you consider at all leases that might
6 be scattered out or a site over here, as you would talk
7 about it, and another portion of the lease somewhere, per-
8 haps, not even continuous to that site there?

9 What I'd be concerned with is the poten-
10 tial liability for noncompliance, but, you know, there are
11 several leases, particularly federal leases, that are scat-
12 tered out over an area.

13 A That's true, but most of those leases
14 have a separate designation and are considered a separate
15 lease.

16 Q Not so in -- in the -- I'm not (not
17 clearly understood) in southeast New Mexico, but in north-
18 west New Mexico, you may have a federal lease with a single
19 lease number, single case file at the BLM office, that is
20 scattered in noncontiguous tracts.

21 I would be concerned about some ambigu-
22 ties and liabilities that would create, and I wonder if that
23 was taken into consideration.

24 A Well, I would think that any time you en-
25 ter a lease, you know, if you go off it and enter it again,

1 you ought to have a sign there.

2 MR. STAMETS: Mr. Kellahin, do
3 you have a question?

4 MR. KELLAHIN: No, sir.

5 MR. STAMETS: Mr. Trood, you're
6 not a lawyer. Are you planning on making a statement or
7 just --

8 MR. TROOD: I'd just like to
9 ask a question.

10 MR. STAMETS: Well, we'll let
11 you.

12

13 QUESTIONS BY MR. TROOD:

14 Q I'm a little confused here on the differ-
15 ence on 100 parts per million, 500, or 1000.

16 On the 100 parts per million you refer to
17 leases and production facilities, stuff like that. On the
18 other two then you include wells.

19 Okay, now on this on the wells, are you
20 going to have to put safety devices and all these things and
21 stuff on each well, or referring just to that in a plant?

22 A Well, let me refresh -- look at this
23 again.

24 You're talking about the 500 parts per
25 million? I think it probably depends on the circumstances,

1 such as the situation I discussed in Hobbs, that if you've
2 got a well site there that's enclosed that you should haave
3 the sign there at the well.

4 If you've got a -- a lease out there
5 which is not segregated by a fence or anything, I would
6 think that a sign at the -- at the entrance to the lease
7 would suffice.

8 MR. STAMETS: Yes, sir.

9 MR. MOTTER: Well, I don't have
10 an attorney here, he's up on the front row, but can I ask a
11 question or would you like to go through my counsel?

12 MR. STAMETS: Well, we'll let
13 you ask a question.

14

15 QUESTIONS BY MR. MOTTER:

16 Q This is just for clarification on Item C.
17 Who would the Division look to as far as
18 responsibility on training? Would that be up to the opera-
19 tor, the drilling contract, the service contractor?

20 A Well, who's responsible under this rule?

21 Q Well, it looks like the operator would
22 be.

23 Then how do you consider people properly
24 trained? Do they carry a card or --

25 A I think that's up to the operator.

1 Q If you say poison gas, is that training?

2 A Say again?

3 Q Say, if the operator tells a well ser-
4 vicing man out there that this a dangerous area, is that
5 proper training or how do you want it?

6 A Well, there may be some operators who
7 would look it that way. I certainly don't look at it that
8 way. If I were an operator and I sent -- had employees that
9 was -- that were working out on the property, and dealing
10 with poisonous gas, I think they ought to be trained so as
11 to protect themselves, and by doing that, I protect myself
12 from liability in case somebody gets gassed.

13 MR. STAMETS: Other questions
14 of the witness?

15 He may be excused.

16 Does anyone have any testimony
17 they wish to offer in this case?

18 Mr. Stovall?

19 MR. STOVALL: I'd like to call
20 Al Kendrick.

21 MR. STAMETS: Okay.

22
23 A. R. KENDRICK,
24 having been previously sworn and remaining under oath,
25 testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. STOVALL:

Q Mr. Kendrick, have you ever testified before this Commission and had your credentials accepted?

A Yes.

Q Are you familiar with proposed Rule 910 and the -- and the -- or proposed Case 910 and proposed Rule 118 relative to hydrogen sulfide gas?

A No, I find it kind of late notice to come in and sign in and then find out that sometime later the proposed rule was laid on the signature table, but I do have some comments that I'd like to make about what I see in this proposed rule.

Q You have read the rule since you picked it up this morning, then, so at least you --

A Not completely.

Q -- know what the rules are.

A Not completely, but I've seen several in here.

Q With -- with respect to questions regarding signage (sic), I believe you heard the testimony of Mr. Lyon and his responses to my questions regarding signage at the entrance to a lease?

A Yes, sir.

1 Q How would you interpret that language?

2 A I interpret this to read that if it,
3 paragraph E-1, says any lease requires a sign at the en-
4 trance, it has to fit all the wells in the pool; therefore,
5 in Hobbs I can envision driving into an intersection and on
6 each side of the street going out of that intersection
7 there's a sign says poison gas, because there are four
8 leases that corner at that point.

9 I can also envision a lot of irate people
10 living in that neighborhood whose front yards are cluttered
11 with lease signs.

12 I can also see these same eight signs
13 parked on a country road intersection that don't mean any-
14 thing because everybody in the area is familiar with the
15 fact that poison gas is produced in the area and just be-
16 cause you're trading leases doesn't mean that we need to
17 flence the countryside with signs.

18 So I think that a sign going on the lease
19 is not proper. If we do need a sign that says that there's
20 poison gas in the area, the Oil Commission's environmental
21 bureau can go out and properly place signs and advise that
22 behind this sign there's poison gas and paint on the back
23 side of it you're leaving the poison gas area when you go
24 out the other side of the lease.

25 This would avoid all of the operators

1 having to buy a sign for each road going on to each lease
2 and the Oil Conservation Division, I think, could more pro-
3 perly peruse these things instead of having all the signs
4 out there fencing the area, just put some signs up under the
5 Environmental Bureau's supervision and let them be respon-
6 sible to the surface owner for having signs in their front
7 yards.

8 Q With respect to --

9 A Excuse me.

10 Q Oh, I'm sorry.

11 A In the San Juan Basin we have homestead
12 entries that have no regard for legal subdivisions so that a
13 home, being placed on it, most optimum place on a subdivi-
14 sion or on some rural subdivision lots, the home may be
15 placed on the subdivision line that separates the lease, and
16 if this sign is properly placed at the entrance to the
17 lease, it could be in the middle of someone's front yard.

18 So I oppose the installation of lease
19 signs to say there's poison gas behind this sign.

20 I don't oppose signs on the location that
21 says there's poison gas on this location.

22 Q With respect to -- you can take either
23 the example of downtown Hobbs or rural San Juan or Rio Arri-
24 ba County, what benefit would a sign at the edge of a lease
25 where there was no producing facility in the immediate area,

1 what benefit would that have in serving to protect even
2 those who are unaware of the presence of the gas in the
3 area?

4 A It would just provide target practice for
5 those people that like to shoot signs.

6 Q Are you then saying that you think that a
7 sign would be more meaningful and beneficial if it were
8 located at or near the specific facility which might be
9 producing the gas rather than in an area in which there
10 might be some gas at some depth below the surface?

11 A Yes, I think -- I think that safety signs
12 at the site of the gas is a whole lot more important than
13 having one where there is no facility in sight.

14 MR. STOVALL: No further
15 questions.

16 MR. STAMETS: Are there other
17 questions of Mr. Kendrick?

18
19 CROSS EXAMINATION

20 BY MR. TAYLOR:

21 Q Mr. Kendrick, are you just recommending
22 that signs be at the wells rather than on lease -- lease
23 lines?

24 A At the facility where the poison gas oc-
25 curs and not just out on the side of the road.

1 MR. LYON: You mean at each
2 well?

3 A At each well where the poison gas is
4 available, yes; same places at the tank battery.

5 Q So then you're just saying that placing
6 the sign at the lease line may not be the location where the
7 gas is at and it would be more appropriate in your estima-
8 tion to place the sign closer to the location where the
9 poison gas would be found.

10 A Well, let's consider it like this.
11 Putting a highway sign out here at the south city limits of
12 Santa Fe that says speed limit 25 miles an hour because the
13 speed limit in Albuquerque is 25 miles an hour, would be
14 about the same amount of reasoning, as far as I can tell.

15 Q Is it your opinion that there would be no
16 situations in the state where poison gas would leave the im-
17 mediate area of the well or tank battery and thus there's no
18 need to have a sign further away from the well or tank bat-
19 tery, or any other warning to individuals, say, who were
20 traveling through, hunters or people involved in game and
21 fish activities, especially on the state and federal lands?
22 I mean, since we're trying to warn the public and people
23 that aren't familiar with the danger, we're not dealing with
24 industry employees, we're dealing with the public. The most
25 likely people would be hunters and other people involved in

1 game activities. Are there situations where it would be ap-
2 propriate to have a sign other than at the well or the tank
3 battery or is it your testimony that the only place you'd
4 have poison gas would be at the location of well or the tank
5 battery?

6 A It's my opinion that the operator of the
7 well, tank battery, or processing plant should put the
8 notice at his facility.

9 If further signs are needed, I think the
10 State should be responsible and have the Environmental
11 Bureau of the Oil Conservation Division to determine the
12 place and to erect and maintain those signs. ,

13 Q How about flow lines and pipelines, would
14 it be the state's responsibility to put these signs up? Is
15 it your testimony that the operator should put up the sign
16 at his well or battery and the state should put up signs
17 anywhere else they may be needed. or how is this to be
18 determined?

19 A I think that the operator of the well, of
20 the tank battery, or of the processing plant would put the
21 signs, safety signs, at their installations.

22 I do not see any reason to run expensive
23 signs along a pipeline that has poison gas flowing through
24 it. If the state determines that signs should be placed, I
25 think that they should place them and maintain them at

1 places other than the installations owned and handled by the
2 operators of the wells, tank batteries, and processing
3 plants.

4 Q Well, I must admit that I have virtually
5 no experience in this, but let's say we have a well or a
6 processing plant that has a high concentration of H₂S and
7 this was to -- the well was to begin leaking, what would be
8 a reasonable area around that well that there should be a
9 warning sign up, and we're assuming there's a well with a
10 high concentration of gas in the gas stream -- of H₂S in the
11 gas stream?

12 A It's my opinion that a sign a mile or two
13 miles away that says there's poison gas back there, does not
14 advise the guy that there's a leak at the wellhead and he's
15 fixing to drive through some poison gas.

16 Q But isn't it true that it's not often the
17 case that a lease is two miles, two square miles? Wouldn't
18 it be more likely that a lease would be a quarter section,
19 or less?

20 A Not necessarily. In the San Juan Basin
21 we have, especially on the Jicarilla Apache Reservation, the
22 leases are customarily two miles square.

23 Q Well, in -- in the situation I gave you,
24 what is a reasonable distance away from a well that a sign
25 should be located in your opinion to give warning to the

1 public were they to be wandering in that area?

2 A At that location.

3 Q Only at the location. So you're --

4 A Yes.

5 Q -- saying that gas is not going to get
6 away, more than 50 or 100 feet away from the site and there-
7 fore there's no need to have one more than in sight of the
8 site?

9 A I can't see picking a point 100 feet down
10 the road or 200 feet, or 2 miles down the road and putting
11 up a sign that says poison gas may be behind this sign. I
12 would consider that very much in the same vein as going out
13 to the south side of Santa Fe and putting up a sign that
14 says Speed Limit 25 miles an hour, because the speed limit
15 in Albuquerque is 25 miles an hour.

16 MR. TAYLOR: That's all I have,
17 Mr. Chairman.

18 Thank you, Mr. Kendrick.

19

20 CROSS EXAMINATION

21 BY MR. STAMETS:

22 Q Mr. Kendrick, if we look at page two, I
23 think paragraph E is the one that you're concerned with?

24 A Yes, and paragraphs E-1 and E-2.

25 Q Okay, and let's --

1 A And E-3.

2 Q -- see if -- if I've gathered the sense
3 of your testimony here.

4 What you would propose to do is -- is,
5 say, take out the well -- the word "well or" so it would say
6 "any lease or processing plant handling H2S gas" and so on,
7 shall have a warning sign where, at the facility?

8 A No, we would remove the word "lease" and
9 we would speak about a well or a tank battery or a proces-
10 sing plant.

11 Q Well.

12 A And those signs would be at the entrance
13 to the facility.

14 Q Tank battery or processing plant, and
15 shall have a warning sign at the entrance to the facility.

16 A Yes, sir.

17 Q Okay. Now, that's in E-1. Now does E-2
18 need to be changed?

19 A Well, I think E-2, the last full line of
20 E-2 says, "plus specify any protective measures that may be
21 necessary." It's a very loosely worded sort of a rule, and
22 based on the testimony that Mr. Lyon put on at our last
23 meeting he was thinking of requiring a sign that said
24 "Safety equipment required beyond this sign" as a scare
25 tactic.

1 I think it would be absurd to put up a
2 sign, require a sign to be put up that did not mean what was
3 required on the sign.

4 Q Presumably the sign could say "Stay off".

5 A "Stay off" or "Danger" or something else,
6 but -- but not put a sign, not require a sign that said
7 something that it did not really mean.

8 Q Are you offended by the language of the
9 paragraph 2?

10 A Just the specificity of it, whatever that
11 word is.

12 Q So you just propose taking out "plus
13 specify any protective measures that may be necessary".

14 A Or to write in the specified measures to
15 show on the signs.

16 Q I would judge that you wouldn't like
17 that, either, but --

18 A Well, there is the point that Mr. Lyon's
19 put on the major operator's testimony, and I'm trying to re-
20 present the independent producers.

21 Q We certainly recognize you as being very
22 independent.

23 MR. STOVALL: May I ask another
24 question?

25 MR. STAMETS: Yes, Mr. Stovall.

REDIRECT EXAMINATION

BY MR. STOVALL:

Q Is it your belief, am I understanding you correctly and what you're saying is that you believe that a sign should have some significance and not just be there to be ignored?

A Yes.

Q It ought to be obvious and indicate that what the sign says it means and it's not just saying that, gee, something could happen some day. There's real danger existing at the present time?

A If there's a sign up there and said "Poison gas behind this sign" and there is no tank battery or well or processing plant in sight behind that sign, I think it is absolutely useless.

MR. STAMETS: The Commission is -- the Commission is quite clear on that point.

MR. TAYLOR: Mr. Commissioner, might -- might the Division make a recommendation that it was -- it was our testimony, I believe, that the purpose for having the wording that could be at the lease boundary was so you wouldn't -- and the committee, I think, believed that you didn't necessarily want one at every well site, and they were trying to deal with an effort not to be too burdensome,

1 and I might suggest that we give the operator the option,
2 and if they only have one well, they could put it at the
3 well site if that's what they want, but if they have several
4 wells on a lease, they could put the signs at the lease
5 boundary, and so you might have -- and that way, that would
6 -- that would -- might save them the trouble of putting them
7 at every well if they have a road coming into a lease.

8 And the language might read that "shall
9 have a warning sign at the entrance to the facility or
10 lease", or something of that effect, to give the operator
11 the option of putting a lease where it would be most effi-
12 cient.

13 MR. STAMETS: But it would
14 still be "or lease", so if there was a small lease and there
15 was one road into it, they could put the sign at that loca-
16 tion.

17 MR. TAYLOR: Or if there was a
18 lease with several wells on it, they might put the sign up
19 where the road was coming in rather than at each well site,
20 if that was their option; wherever they think the warning
21 would be most appropriate.

22 MR. STAMETS: Okay. Do you
23 have anything further, Mr. Kendrick?

24 MR. KENDRICK: No, sir.

25 MR. STAMETS: Any other ques-

1 tions of Mr. Kendrick?

2 He may be excused.

3 Does anyone else have any tes-
4 timony they'd like to put on in this case?

5 MR. KELLAHIN: Yes, Mr. Chair-
6 man.

7 MR. STAMETS: Mr. Kellahin.

8 MR. KELLAHIN: Mr. Chairman, on
9 behalf of Phillips Petroleum Company I'd like to recall Mr.
10 Mueller.

11 I'd like the record to reflect
12 that he has been previously sworn and has been qualified as
13 an expert petroleum engineer.

14 MR. STAMETS: The record will
15 so show.

16
17 WILLIAM J. MUELLER,
18 having been previously sworn and remaining under oath, tes-
19 tified as follows, to-wit:

20
21 DIRECT EXAMINATION

22 BY MR. KELLAHIN:

23 Q Mr. Mueller, on behalf of your company,
24 have individuals within your company prepared an alternative
25 proposed Rule 118 for consideration by the Commission?

1 A They certainly have. I'd like to state
2 that Phillips Petroleum Company wants to highly commend the
3 Commission for the approach it's taken in the proposed Rule
4 118, Hydrogen Sulfide Gas, but since hydrogen sulfide gas
5 involves not on the Producing Division of Phillips, it also
6 involves our Processing Division and our Safety Division,
7 all divisions get involved in this rule.

8 So we would respectfully request that the
9 Commission continue this hearing and give us at least two
10 weeks to make written comment on the proposed changes and
11 rules we saw here this morning.

12 Q I have marked and submitted for
13 introduction Phillips' Exhibit Number One.

14 Can you identify that document for us?

15 A Yes, that is what -- Phillips' proposed
16 wording for our Rule 118.

17 Q And this was prepared after the last
18 hearing but prior to receipt of the latest draft from Mr.
19 Lyon's committee, which was available this morning.

20 A That is true. See, one of the immediate
21 changes we see, we -- in Mr. Lyon's proposed rule, is the
22 wording under D about the written 90-day notice after
23 promulgating this rule.

24 We would request that at least be 180
25 days on -- after the rule, but we don't mind going to a min-

1 imum of 60 days after completing the first well or after H2S
2 is discovered, but we think 90 days is a little quick right
3 after this rule comes into being, to do all our leases.

4 Q How was the proposed alternative Rule 118
5 prepared by Phillips for presentation today?

6 A This thing was a combination of efforts
7 by our Proration Regulation Section, our Production
8 Division, our Safety Division, and the processing group.

9 Q And you would submit it on behalf of your
10 company for the Commission's consideration as an alternative
11 for the Rule 118 proposed by the staff?

12 A Yes, sir.

13 MR. KELLAHIN: That concludes
14 my examination of Mr. Mueller, Mr. Chairman.

15 We would move the introduction
16 of Phillips Exhibit Number One.

17 MR. STAMETS: Exhibit Number
18 One will be admitted.

19 Mr. Mueller, you -- you asked
20 that the case be continued. Is this only for an opportunity
21 to -- to provide review and comment on the --

22 A Yes.

23 MR. STAMETS: -- on the new
24 Division proposal?

25 A Right.

1 MR. STAMETS: Are there other
2 questions of Mr. Mueller?

3 He may be excused.

4 Anyone else have any testimony
5 they wish to offer in this case?

6 Are there those who wish to
7 make statements in this case?

8 MR. CURRENS: Mr. Chairman, Dan
9 Currens with Amoco Production Company.

10 Whether I want to make a state-
11 ment at this time depends on whether or not we are going to
12 continue this to have an opportunity to look at both the
13 last committee report and the Phillips proposal and so on.

14 Certainly Amoco does want to
15 comment on this entire matter before it's closed but I hate
16 to comment on it piecemeal, so to speak.

17 MR. STAMETS: I certainly hate
18 to see it go through this --

19 MR. CURRENS: Perhaps you --

20 MR. STAMETS: -- one more time.

21 MR. CURRENS: Perhaps you might
22 want, with respect to the testimony that's been presented
23 today from both the Division and from members of industry,
24 Mr. Kendrick, and others, some written comment period to
25 take place, as opposed to oral statements today, wherein

1 written comments are submitted as opposed to statements by
2 the industry.

3 MR. STAMETS: It seems to me
4 that the issues that we have today are basically the same
5 ones we had last time, and so it's not so much a matter of
6 -- of significant issues but in the matter of how the rules
7 might be worded to make the rule workable and so that it
8 would not be an excessive burden on the industry or provide
9 them with something that they would have a great deal of
10 difficulty understanding and complying with, and I believe,
11 as in the last case, we would certainly be willing to allow
12 at least two weeks for comments and would entertain propo-
13 sals for re-wording of portions of Mr. Lyon's or the commit-
14 tee's proposal presented here today, and would entertain
15 those who might say that we should abandon the whole proce-
16 dure; would entertain motions from those who might wish the
17 case to be reopened next year; and we will give considera-
18 tion to all of those that are received within the next two
19 weeks.

20 MR. CURRENS: With that in
21 mind, may I make a partial statement, then, with respect to
22 this matter?

23 MR. STAMETS: We'll make a par-
24 tial listen.

25 MR. CURRENS: All right, sir.

1 I believe very strongly that
2 the committee has done an excellent job. I think they've
3 addressed some of the things that were some very apparent
4 problems and deficiencies with respect to the first draft.

5 For instance, now, I think that
6 they are clearly stating the applicability of this rule
7 throughout the state by having the properties that have 100
8 parts per million hydrogen sulfide content subject to it.

9 I think it takes that area of
10 indefiniteness out of it very much.

11 I think the rule as propsoed by
12 the committee is very straightforward, simple, and operable.
13 That doesn't mean that some alteration of language, like in
14 E-1 of well or facility, or well or lease or facility, might
15 not be some language improvement there, but by and large, I
16 think there's a very good definition here of operator
17 responsibility. I think there's a clean definition of ap-
18 plicability, and with the state of the record right now,
19 Amoco will support the rule as proposed by the committee for
20 adoption.

21 MR. STAMETS: Thank you. Are
22 there other statements at this point?

23 Mr. Ingram.

24 MR. INGRAM: Mr. Stamets, I
25 would make just one very brief comment and maybe it will

1 help Mr. Kendrick understand what we're considering in some
2 of the particular language on page 3.

3 In specifying any protective
4 measures that might be necessary, one of the things that the
5 committee had problems with was about being too specific.
6 In other words, we need to make, I think, these -- a certain
7 amount of flexibility to allow the operator to make judg-
8 ments on his own, and this is one of those instances right
9 here; the specific wording or measure that should be put in
10 this instance is that this gives the operator the flexibil-
11 ity that he may already have for his own employees that
12 would also protect the public, which might make a statement
13 such as "Do not advance beyond this point without protective
14 fresh air equipment", or something of that nature.

15 It would also give him the al-
16 ternative of saying "No unauthorized personnel allowed be-
17 yond this point."

18 So it would give the operator
19 the opportunity to utilize some of the signs that he is al-
20 ready utilizing for the protection of his employees. These
21 signs would also serve the purpose of protecting the public,
22 and that's the reason that we didn't use words such as this,
23 not wanting to be overly specific but give the operator that
24 much flexibility and still allow him to do something, what-
25 ever might be necessary, whether it be a warning or whether

1 it be a requirement for an additional physical protective
2 equipment.

3 MR. STAMETS: Mr. Ingram, would
4 it be appropriate to add to that last sentence to say
5 something to the effect plus prohibiting entrance or
6 specifying any protective measures which may be necessary?

7 MR. INGRAM: I see nothing
8 wrong with that.

9 MR. STAMETS: Are there any
10 other statements in this case?

11 With that, then, we will take
12 this case under advisement, allow two weeks for submittal of
13 any comments, language proposals, or motions, and we will
14 take action then on the 18th of December.

15 With that we will conclude Case
16 9010, and take about a fifteen minute recess.

17

18 (Hearing concluded.)

19

20

21

22

23

24

25

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY the foregoing Transcript of Hearing before the Oil Conservation Division (Commission) was reported by me; that the said transcript is a full, true, and correct record of this portion of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR