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all Exhibits, Etc.

BEFORE THE
OIL CONSERVATION COMMISSION
HIGH SCHOOL AUDITORIUM
1300 East Scharbauer
Hobbs, New Mexico

May 16, 1962

REGULAR HEARING

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PHONE 243-6691

IN THE MATTER OF:

Application of the Oil Conservation Commission, on its own motion, and at the request of El Paso Natural Gas Company, to amend Rule 314.

CASE NO.
2558

It is proposed to amend Rule 314 by the addition of paragraph (i) thereto to further regulate the transportation of drip and to require the reporting of such transportation on Form C-110-A.

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 next case on the docket is Case 2558.

MR. MORRIS: Application of the Oil Conservation Commission, on its own motion, and at the request of El Paso Natural Gas Company, to amend Rule 314.

MR. PORTER: I would like to call for appearances in Case 2558.

MR. EASLEY: Mack Easley of the law firm of Easley and



Pike, Box 638, Hobbs, New Mexico, representing Southern Union Gas, along with Mr. William S. Jamison, a staff attorney for Southern Union from Dallas.

I am also making an appearance for General Petroleum, Inc.

MR. PORTER: Mr. Reese.

MR. REESE: Randolph Reese of Girand, Cowan & Reese, Box 245, Hobbs, New Mexico, representing Basin Service Field Services, Inc., and Ellis Rowland Trucking, all lines common carriers.

MR. HOWELL: Ben Howell, El Paso Gas Company, associated with New Mexico, co-counsel of the firm Hardie, Grambling, Sims & Galatzan.

MR. MORRIS: If the Commission please, my name is Richard Morris, appearing for the Commission staff.

We will have one witness in this case.

MR. PORTER: I have had some indication from some of the people in transportation they are interested in this case, and I would like to say here that some of them may desire to make a statement one way or the other in the case. The fact they have not entered an appearance at the beginning of the case would not preclude their making a statement at the conclusion of the case.

At this time, the Commission will recognize Mr. Ben Howell, since the Commission brought this up on its own motion

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and at the request of El Paso.

MR. HOWELL: Mr. Chairman, I would like first to make a brief statement on behalf of El Paso Natural Gas Company.

We have two witnesses today and expect to put on testimony today. This testimony will be directed primarily to outlining the situation which exists, particularly in the San Juan Basin and testimony showing what our company is doing in the handling of drip and condensates.

We suggested and have been urging the adoption of some rule to protect against the thefts in the northwest, which have reached an alarming condition.

The rule which is submitted may or may not be the correct answer and exact way to do it. We see some things that are subject to objection of the rule and we are certainly not wedded to any particular language or any particular provision of this rule.

We want to get something that is workable. We feel that the problem cannot be solved merely by adopting the rule as to drip. When a truckload of drip gets out on the highway, it can't possibly be distinguished from the truckloads of condensate that is up in the tanks.

So, at the conclusion of our testimony, we will make a motion, and if there are any other persons who desire to offer testimony at this particular hearing, we will make a motion to the Commission to continue the case for two months in order to allow

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various people who are concerned to have an opportunity to look at this problem and to make suggestions of the manner of solving it.

We are going to suggest, at this time, that probably one central point be designated in which suggestions can be filed, and as a result of this, it may be possible to come up with something that the people in the supply generally feel the best workable solution to solve the problem.

With that preliminary statement, we are prepared to go ahead with testimony at this time.

MR. PORTER: Mr. Howell, I do think it would be advisable to go ahead with whatever we have today and the fact that you have considered a continuance reflects you have given considerable thought to this, and possibly in discussions with other interested parties then realize that possibly something like this might not be best settled in one hearing; so let's go ahead with whatever testimony we have at this time and ask your witnesses to come forward and be sworn.

MR. HOWELL: Mr. Alsup and Mr. Barnett.

(Witnesses sworn.)

MR. HOWELL: Mr. Alsup will be the first witness.

ED E. ALSUP,

called as a witness, having been first duly sworn on oath, was examined and testified as follows:

DIRECT EXAMINATION

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BY MR. HOWELL:

Q Would you please state your name for the record?

A Ed E. Alsup.

Q Speak out loud enough, Ed, so we can all hear.

Will you state your residence, by whom you are employed, and in what capacity?

A My residence is Farmington, New Mexico; employed by the El Paso Natural Gas Company as division superintendent.

Q That is of the San Juan Division?

A That is correct.

Q How long have you been in the San Juan area, associated with El Paso Natural Gas Company?

A Approximately eight years.

Q Are you familiar with the field and the gas wells and condensate tanks, drip tanks, and the whole system up there, generally?

A Yes, sir.

Q Just for a background as to the situation, would you tell the Commission approximately how many gas wells there are up there that are producing, some of them were liquids and some were not? About how many miles of gathering system and how many miles of lease roads are there in the Basin?

A We have in excess of 4500 gas wells in the Basin. There is just a little over 4,600 miles of gathering system on which each gathering system there is a road maintained from the



wells and to and from the lease. In that system, we have approximately three thousand points of picking up tank, drip tanking that we pick up either distillate or drip condensate or drip.

Q By condensate, when you refer to it here, do you mean the liquids that are knocked out by the separator at the well and put in tankage on the lease?

A That is correct.

Q And by drip, do you refer to the liquids which drop out of the gathering system after gas gets into the pipeline and is taken out in traps and then put into tanks along the pipeline?

A That is correct.

Q Is there any substantial difference in the liquids themselves so that it would be possible to tell whether one came from a lease tank or whether it came from a drip trap?

A No difference at all.

Q Now, does a substantial number of the wells up there make some liquid so that there is condensate and tankage by the wells?

A Yes, sir, I would say approximately from 4500 wells there would be at least 2500 that do have -- do make condensate at the wellhead.

Q Now, how long have you been studying this problem of theft about condensate and drip there on the Basin?

A Since I first arrived at the Basin in 1953.

Q That is a period of nearly nine years now?

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A Yes.

Q I wish you would just, in a general way, tell to the Commission what the situation has been over a period of, say, the last six to eight months in which you have, I think, given particular attention to this.

MR. PORTER: Mr. Alsup, there is a lot of interest in your answer. Speak up a little louder, please.

A Yes, sir. Well, from the very nature of the Basin itself, and the tremendous area that it covers, it makes it almost impossible for an apprehension of people interested in taking condensate or drip from the various installations out there.

As I said, there are some 4600 miles of gathering system and to which a road is maintained for an operation of that particular well, and people knowing the area as well as our people do, we are only out there during the daylight operation, and certainly it sets up a problem by the fact that there is only Farmington and Aztec on the west side and then the field extends on down nearly to Cuba on the east side, so it is such a remote place that it is almost an impossibility to police it with adequate force to really apprehend but a very few of the people that are in the theft business up there.

Q Now, Mr. Alsup, have you made an attempt to determine how much loss your company has had from this theft?

A Well, it's rather hard to get an exact figure. We approximate, we actually know about a third of the drip that has



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been stolen from us due to the fact we only gauge our tanks at intervals, depending on the production from a given well. And our losses from that particular storage or point of pickup is only -- the only parts of it we keep is what actually shows as a loss from the time of one gauging to the next gauging.

Q As I understand your testimony here, you have kept some records that covered the instances in which we would gauge tanks and we knew how much was in particular tanks and when we went out there to get it, we found either the tank had been drawn or a substantial amount taken out?

A That is correct.

Q You have kept those records and you have them available?

A Yes, sir.

Q Could you tell in general what they would average in a month, that amount that is the actual loss from gauged tanks?

A Around, approximately 2500 barrels a month.

Q Now, is there any way that you can tell how much additional liquids have been taken out of tanks where the tanks haven't been gauged?

A No, sir, there isn't any way in the world we could tell exactly, because a well, in the characteristics of the wells in San Juan Basin, it may unload ten barrels today and it may unload in the next hour from -- its erratic production and fluctuation of our gas load makes a tremendous difference in the unloading of the various wells over the entire Basin.



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Q We don't gauge the tanks every day, so there is a period in which a tank could be building up and no gauge is taken?

A That is correct.

Q And no way of knowing how much has been taken out during those periods?

A That is correct.

Q When was it that the Bureau of Revenue put an officer up there to assist in arresting those who were taking liquids and disposing of them without paying the proper taxes, approximately when?

A I don't recall an exact date. I do know that there have been approximately thirty arrests a month since he has been in the area there.

Q About thirty arrests a month that he has been able to make?

A That is correct.

Q I believe he is here and will testify and we will let him testify about that.

What effect has Mr. Ramsey's being up there, generally?

A Well, in the last month, I would say our reported thefts that we have covered over has dropped to about a third of what it was.

Q So in your opinion there has been some real progress made?

A Yes, sir.



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Q Now, this rule which we are proposing is designed to require the transporter by truck of -- this particular rule is applicable only to drip, but assuming that it would be made applicable also to condensate and would require the truck transporter to have in his possession some sort of invoice or bill of lading or some document signed by the owner of the liquid showing the transporter's authority. Are you familiar, in general, with that rule?

A Yes, sir.

Q The proposal?

A Yes, sir.

Q In your opinion, would that be of material assistance in stopping the theft of drip to require people that were hauling drip around to have some evidence of their authority to haul it?

A Yes, sir, I believe it would tend to help in the policing of the area.

Q Now, what do we do in our own company with reference to people who are transporting either condensate or drip by truck?

A We have a trip ticket which we use.

MR. PORTER: Speak up.

A We have a trip ticket which we use and also we have, some, approximately twelve points that we have central batteries and we use our own trucking system to bring from the various locations, to bring it into the central batteries. This trip



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ticket is made out by our men as to how much and the quantity it delivered into each central battery from each point of picking up, whether it is condensate or whether it is drip, from what point they picked it up and brought it to what battery; and from the battery we will use a trip ticket for various truckers designated by the State as haulers in the area. And that is hauled from that point with our trip ticket to a point of a seller that we sell our drip or condensate to.

Q So that all of these liquids that we authorize to pick up were furnished the transporters, whether he be an employee of ours or independent contractor there, we furnish him with a ticket showing that he is authorized to haul a quantity of liquid?

A That is correct.

Q Do you find that particularly burdensome or heavy paper work?

A Not necessarily so, no.

Q From your experience as a practical man in the field, would you think it possible by adopting a rule that applied only to drip, that required some sort of evidence in the hand of the trucker to be an effective means of stopping the theft which we are now faced with up there?

A No, sir, I think it probably would do more harm than good because of the inability to identify the drip from the condensate. If a rule applied to drip, everybody would be hauling



condensate and vice versa.

Q So you think in order to be effective, whatever rule that is adopted, must apply to both drip and condensate?

A That is correct.

Q Or we could have two rules: One to drip and one to condensate but taking the same result?

A Having the same identity, I believe they should be treated as such.

Q Then, would you recommend that a rule of that nature be adopted in an effort to stop the theft that has been going on?

A I certainly would.

MR. HOWELL: That is all the questions.

MR. PORTER: Anyone have any questions of Mr. Alsup?

MR. EASLEY: I have two or three.

CROSS EXAMINATION

BY MR. EASLEY:

Q Mr. Alsup, in your consideration of this rule, do you contemplate that it would apply to scrub oil or to drip oil that is collected in the transmission system?

A I believe it would have to be broad enough in its scope to apply to that, in my own estimation, yes.

Q Now, with reference to these trip tickets in your present operation, does your driver fill out one of those for each drip trap as he goes around and collects them?

A Yes, that has to be reported to the State each month.

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MR. EASLEY: That is all.

MR. PORTER: Anyone else?

CROSS EXAMINATION

BY MR. REESE:

Q Mr. Alsup, have you in your investigation encountered any trouble with the licensed common carriers with the State of New Mexico on this haul?

A That is the only type of carrier that we use. As far as El Paso Natural Gas is concerned, there has been no apprehending of either, so it would be rather hard for me to pinpoint that.

Q As I understand the nature of your testimony, you are attempting mainly to stop the persons who are stealing the gas at the sources of the drip and condensate, rather than having any complaint of the licensed carriers who ship on the highways of the state?

A The primary motive is to stop the theft.

MR. REESE: That is all I have.

MR. PORTER: Anyone else have a question?

MR. MORRIS: Yes, sir.

CROSS EXAMINATION

BY MR. MORRIS:

Q Mr. Alsup, you are familiar with the amendment to Rule 314, which has not as yet been proposed by El Paso but which we drafted tentatively as an amendment?

A Fairly familiar, yes.

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Q Now, in that proposed amendment to Rule 314, there is a provision that a copy of this form, Contract C-110-A be furnished to the Commission at some time and there is a place on the proposed form which I wish to correct. I believe there is not a place on the form for the signature of the Commission's agent.

Now, my question to you is, in this proposed revision of the rule, at one point did El Paso contemplate the approval of the Commission being obtained either before or after the actual movement of the drip, and if as shown in the proposed rule, the permission or the approval of the Commission has to be obtained, should there not be a place on the form for that approval to be designated?

MR. HOWELL: May I interrupt? I believe the rule says that it does not provide the suggested rule for furnishing the Commission formally but says file your report and exhibit such report when so requested, like the Commission when it's authorized. In other words, I believe it is not contemplated that this particular form be furnished to the Commission unless the Commission or its agent should stop someone. It is possible stopping someone on the highway and saying, "Where is your form?"

Q (by Mr. Morris) Then, Mr. Alsup, let me put it this way: Is it El Paso's intention to create a situation here and require forms, this C-110-A to be used and yet this be a procedure outside the Commission's scope, something that the Commission would never see? The form then, as I understand it,

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no approval would ever have to be obtained from the district office, say, of the Commission?

A I believe that the primary motive of the form is to have control, to have the drip or condensate within control from the time of its point of pickup to the time it reaches a seller at some destination. I believe that's what it was completely designed for. There are some phases that we certainly haven't got the cure-all at this time, but we hope to by the time of the next time it is set up for hearing.

Q To enter into just a brief discussion on the side, as Mr. Howell was referring to, of the rule, was that any and all services moving drip by vehicle shall make report of movement on forms C-110-A. To me this implies that the report would be filed with someone, presumably the Commissioner or if I misunderstood that point in the proposed rule, I stand corrected.

MR. HOWELL: We remain open-minded and would not suggest that we burden the Commission with a flood of paper unless it wants it.

Now, if it wants to, I think the rule could be clearly made to that point so it would be filed with the Commission, or that report would be made so it would be available at any time. I think whatever the Commission would desire on that could be incorporated.

Q (by Mr. Morris) I understand you have not actually offered this proposed rule? This statement is probably going to

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be the basis upon which you are going to work in the next year or so and I want to know what El Paso's intention is in respect as to the words. I just para-phrased.

MR. HOWELL: I can say that we are completely open-minded on that. If it seems in study it is desirable to file with the Commission and doesn't burden the Commission, the rule could be clarified to that point, but the thing we think is fundamental is that the man out on the highway, if he is stopped at 2:00 o'clock in the morning with a load of ten drums of drip or condensate in the back of his truck, is required to have something in his possession where he got that and who authorized him to have it.

A One other phase of this form C-110-A, on this total price paid, which wouldn't be practical at all because your vapor pressures has a direct bearing on that, so there is several facets of that that have to be corrected. The operators will help in the operation, I am sure.

Q Do I understand, then, that the provision on the form "total price paid" might be stricken?

A I feel sure it will have to be, because there is no way it could be applicable.

Q Mr. Alsup, has El Paso Natural Gas Company given any consideration to other means of handling this problem, such as the addition of dyes or other additives to the condensate or drip that would make it unsuitable for use as an automobile fuel and

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not destroy its value for other purposes?

A There has been a committee working on that possibility, of which El Paso has participated in, to make it unsuitable or some way of detecting.

MR. HOWELL: Speak up.

A There has been a committee working through the New Mexico P.I.C. in conjunction with El Paso as participants in the use of dyes or some type of chemical to make it unsuitable for direct use, that will be taken out in a refinery.

Now, there has been nothing confirmed along that line. We have tried in the past using the green dyes that the State had available at that time, which didn't prove satisfactory at all. It only made the thieves aware that they couldn't steal that particular load because it was dyed, so they would turn it out on the ground and possibly, in many cases, cause fires, but in every case more loss by using the green dyes than without it. So, in every case it must be something that will not be detected at the point of theft for it to be a workable solution along that line.

Q (by Mr. Morris) Is it possible that a fuel oil could be added to your various drip traps or other points of collection which fuel oil would make the drip unusable as an automobile fuel?

A The principle is sound. The only thing, there is a lot of road to travel up there and you would have to travel it twice to add to your fuel oil. You would have to haul into those

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many points in order to cover the entire area, so I don't think I believe you would be spending more than you would be getting for your product.

Q Other than a practical matter, then, of actually performing the work of adding this fuel oil, it might be one solution to the problem?

A It would be a solution, yes.

MR. MORRIS: I believe that is all I have, thank you.

CROSS EXAMINATION

BY MR. PORTER:

Q I want to clear up one point, Mr. Alsup. In response to a question by Mr. Easley, I believe you indicated that you thought the rule should be broad enough to include scrub oil?

A In this sense, Mr. Porter, that this scrub raw oil is produced in conjunction with a gas well. I caught that afterward and I didn't correct it there, but there is various points in the Basin where your gravity on your oil would fall in that category. It is actually a good oil, but it is produced from a gas well and that's the scope I had in mind when I answered his question.

Q Well, the reason I raised that point, it's been my observation that scrub oil certainly conformed more closely to the characteristics of the crude oil than either the drip or condensate.

A Yes.

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Q Of course, your gasoline plants in Main are operating on casing head gas, which comes from oil wells, and therefore, it would be equivalent of crude?

A We have a quaint situation up there, in that we have about every gravity oil or condensate, that you can just select any area and you can get about what you want, the oil, the actual oil around 45 gravity, 40 to 45 gravity oil. Also, not too much of that produce through the scrubbers at the gas wellheads, but there is at various points over the Basin that do exist.

Q I wasn't thinking about the scrubbers at the gasoline plant: do you know of an instance where a gasoline plant has produced this scrub or automobile oil or where this oil has accumulated which could be sold through a filling station?

A No, sir.

Q I believe Mr. Easley might clarify this for us, but I think that is the idea that I got, what he had in mind was in accumulation at the plant itself.

MR. EASLEY: Yes, sir. The definition here of drip in the present rule 314 calls the oil "liquid hydrocarbon" accumulated incidental to the transportation of gas, and it appears that would include the scrubber oil as well as, say, drip oil, which is picked up from the transmission lines in the field.

A We at El Paso don't have that type of situation up there.

MR. EASLEY: It is prevalent here in this area, of

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course, as you know.

MR. PORTER: Mr. Nutter, do you have a question?

MR. NUTTER: Yes, sir.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Alsup, when you mentioned that El Paso had sustained losses of approximately 2500 barrels a month of condensate or drip or whatever it be from tanks which had been gauged, were you referring only to tanks on your drips on the laterals and on your main lines, or did that decline?

A That declined. Condensate also -- condensate tanks also.

Q Now, in your gathering of transportation system in the San Juan Basin, approximately how many drip traps was El Paso operating?

A Possibly a thousand, it would be.

Q Of traps on the lines?

A Yes.

Q Now, is each of those actually services and an attempt made to gather the drip that accumulates in them?

A Not in every case, no. Some of them over a period of a year wouldn't gather enough. We would blow them at intervals, depending on what they made. During the summertime they pick up nothing because your gas will carry most of your hydrocarbons into your gasoline plant. About all you pick up in that, at all, through the summertime will be back at your wellhead. Very few

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drips make anything in the summer due to your temperature changing on the drips, rarely. It rarely goes into the plant.

Q I suppose it would depend on the size of the line. Do some of those drip traps gather more drip than others do?

A Definitely so.

Q Do some of them gather enough drip -- you have a tank located at the drip tank to blow the drip into?

A Yes.

Q Now, how many of this type of intake stations where you have a tank located at the drip?

A This would be just an approximate figure, I would say 300, possibly.

Q About 300 out of the 1,000 drip traps that you have would have tanks on them?

A Yes.

Q Now, I presume, then, all of them that have a tank on them would actually be serviced and an effort made to pick up the drip that accumulates there?

A Yes.

Q Now, Mr. Alsup, also you were referring to those trip tickets which you said El Paso used as means of determining where the drip was gathered and you also stated that these trip tickets didn't appear to present any burdensome amount of paper work to handle. Do the trip tickets have two signatures, one being the signature of the purchaser of the drip and one being the signa-

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ture of the seller of the drip?

A Yes, sir, but we use those ourselves to pick up so we can get the designation, where it was from, their particular drip trap that you speak of or condensate back at the wellhead from a general tank and it is hauled into a central storage or battery.

Q Now, the users of these trip tickets, are they actually employees of El Paso, using El Paso trucks, or trucks contracted to El Paso?

A Where it is picked up and brought to the central storage, they are actually trucks with employees of El Paso. From the central storage to a seller's point or delivery point to a seller, then they are certified state carriers.

Q With relation now, referring to your form C-110-A, where you have a line here for the signature of the seller or agent, and also a line for the signature of the purchaser or his agent, if you had an El Paso employee driving an El Paso truck out to an El Paso drip trap to gather the drip, could he sign that form in both places for El Paso as seller and buyer, or both?

A The particular person, I am sure I wouldn't have it so; I would have his boss sign it.

Q This boss as a purchaser or seller --

A It authorizes him to pick it up and deliver it to a point. As we have stated before, on this form there has got to

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be some changes in it finally, where it will, can and will apply to each and all the operators right now and there will be some definite changes in it before it is presented back to the Oil Commission.

Q Now, if one of these forms were to be signed by the driver's boss, the boss would just about have to be along with him to fill out the number of barrels to be picked up?

A That is one of the fallacies; you can't have a man at each location, under no circumstances, to sign and that applies to all the operators in the Basin, and we realize that fallacy in there.

Q That would be one of the points you would try to change?

A That is correct, we would. I couldn't have 3,000 people out there all the time and neither could anyone else.

MR. NUTTER: I see. Thank you, Mr. Alsup.

MR. PORTER: Anyone else have a question?

MR. HOWELL: I have one further question on re-direct.

REDIRECT EXAMINATION

BY MR. HOWELL:

Q Mr. Alsup, without giving the name, would you just tell the Commission what happened to one operator out there who salted his drip tank with material that would stop an automobile from running?

A In this particular case, the man, his well made around approximately eight barrels a day but he had not received any of



it so he put some sugar in the tank. He decided he would stop it. He did get one of the local farmers that had used it and had carried on that part of his farming operation from the time he had been there also. So the farmer went into the location, turned on the well, lit him a cigarette and threw the match down, so he lost everything. He lost his tank and all his equipment that previously ran along that line. And you all know about a lot of that by making it inoperable to the point where you mess up a person's equipment; now he's going to retaliate. I think that is human nature. So I'm not sure that is a complete answer.

Q You wouldn't recommend putting something in that might stop automobile motors or other motors from using the drip for fear of the retaliation that your experience has shown is likely to occur?

A I'm afraid it would be another Korea war. That is all.

RECROSS EXAMINATION

BY MR. MORRIS:

Q Mr. Alsup, this is an isolated instance that you were referring to just now?

A Right.

Q In the event it became general widespread, that some sort of additive was being used to prevent the theft of drip, it might prevent the thief from going to the trap in the first place; would it not?

A Some of them.

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Q So you really wouldn't have a widespread of the problem of retaliation or being surprised by an isolated instance where an additive had been used if everyone was using an additive?

A I'm sure I'm not that familiar with the human element.

MR. MORRIS: That is all.

MR. PORTER: Any further questions?

CROSS EXAMINATION

BY MR. REAGAN:

Q I have one more question. Mr. Alsup, in Section A and speaking of common carriers where you are shipping over the highways, would there be any objection to merely, say in your case, El Paso signing the shipping order as is customarily done in this trucking business, rather than having the purchaser also sign, would that serve any purpose with your common carrier?

A Well, in our common carrier we do that very thing with our trip tickets.

Q You sign them yourself?

A That is right.

Q But you don't require the purchaser to sign it?

A We require the trucker to sign them to a delivery point and then we have whoever we sell that to and we have that double check across that point.

Q Where is it measured and tested for the price, before you ship it or at the destination?

A I didn't understand the question.

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Q Where do you measure and settle the price and the volume, before you ship it or at the destination?

A At the destination.

MR. REAGAN: That is all.

MR. PORTER: Anyone else have a question?

The witness may be excused.

(Witness excused.)

* * * *

MR. PORTER: The Hearing will come to order, please.

Mr. Howell, call your next witness.

RAYMOND H. BARNETT,

called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. HOWELL:

Q Please state your name for the record.

A Raymond H. Barnett.

Q Will you state by whom you are employed and in what capacity?

A Employed by El Paso Natural Gas Company, field superintendent of the Permian Division.

Q I can't quite hear you.

A I am employed by the El Paso Natural Gas Company and I am field superintendent of the Permian Division.

Q And where do you live?

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A In Jal, New Mexico.

Q How long have you lived in this Permian Basin area?

A For twenty-five years.

Q How long have you been working for El Paso Natural Gas Company here?

A For twenty-five years.

Q Would you please state to the Commission your opinion as to whether or not there is any particular problem in this particular area with reference to theft of hydrocarbon, drip, condensate, such as is taking place in the San Juan Basin?

A No, sir, I don't think we have the problem now they have up there. We did have several years ago, but it seems we don't have it any more.

Q Are you personally acquainted with any thefts that have taken place in any substantial quantities around here?

A We have had a few of our distillate tanks but have noticed very few.

Q What system does your company use down here in the picking up of hydrocarbon, condensates, and drips from lease tanks along the gathering system?

A Our system, the company traps the products out into the tanks and we get a carrier to transport it from one destination to another where we might sell it.

Q We contract with somebody to truck it from the tanks to the point of destination wherever it is sold?



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A Yes, sir, that is right.

Q What do we use in the way of giving that trucker written authority showing that he is authorized to pick up that condensate or drip?

A We give him a short form of bill of lading and tell him where to pick it up, where to take it, and how much to pick up.

Q Is that done with every load that is picked up?

A Yes, sir, every load has the bill of lading with it.

Q Now, on that, do you show the definite location of the tanks and the lease or the pickup point that the drip or condensates are going to come from?

A Yes, sir, it has a number and we fill out the bill of lading, part of it, put the number of the tank, where to pick it up, the amount of the load, and where it is to go to.

Q And the destination where it is to be delivered?

A Yes, sir.

Q And the number of barrels to pick up?

A That is right.

Q And then you give that to the contract trucker?

A We either give it to him personally and call in and we do leave it at the lease occasionally for him to pick up at the lease.

Q Sometimes he gets it when he goes out to the lease?

A Yes.

Q Other times he gets it at our office?



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A Or we take it to his office.

Q And what does he do with it now when he has delivered his load?

A He either takes it back to his office and we pick it up or he leaves it at the lease and we pick it up. Now, he keeps a copy of it for his files and when he bills us, he sends a copy forward with the billing and he sends a copy to our traffic foreman in El Paso.

Q That is the basis for the payment to him for the hauling?

A Yes, sir, that is right.

Q Has that system imposed any undue burden of paper work on you?

A No, sir, not any noticeable burden that we have noticed.

Q Does it give you a good control over the movement of drip and condensate from lease tanks and drip tanks?

A Yes, sir, we think it gives control. We know how much we have got in a tank before he picks it up; we know how much the tank has that he is going to put it in and corresponds with our gatherings.

Q And also serves as a check on the trucking charges?

A That is right.

MR. HOWELL: That is all.

MR. PORTER: Mr. Barnett, how do you handle delivery of scrub oil from your gasoline plant?



A On the inlet -- on the outlet of the plant that goes into a different system altogether. By the inlet to the plant, we handle it just as drip.

MR. PORTER: Anyone else have a question?

MR. EASLEY: One question, Mr. Chairman.

CROSS EXAMINATION

BY MR. EASLEY:

Q Mr. Barnett, do these contract haulers pick up all of this drip up at the drip trap, or do you have some of your trucks that pick it up at the drip trap and haul it to a central tank?

A No, sir, down here we have -- most of all our trucks are contract trucks. We don't move any products with our trucks here.

Q One other question, how many drips do you have on your system, do you know, in this area?

A Well, we have approximately about eighty what we call main tank batteries where there is main traps off our gathering system with maybe one or two or three pits. We still use a lot of pits for the oil, for trapping the oil.

MR. PORTER: Anyone else have a question?

(No response.)

MR. PORTER: The witness may be excused.

(Witness excused.)

MR. HOWELL: That ends El Paso's testimony.

MR. PORTER: Thank you, Mr. Howell.

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MR. MORRIS: Call Mr. Frank Ramsey.

(Witness sworn.)

FRANK RAMSEY,

called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. MORRIS:

Q Please state your name.

A Frank Ramsey.

Q By whom are you employed, Mr. Ramsey?

A By the Bureau of Revenue in New Mexico as a special agent.

Q As a special agent?

A Right.

Q Where are you located, Mr. Ramsey?

A Farmington.

Q That is your headquarters, office, so to speak?

A Headquarters.

Q Mr. Ramsey, are you the man referred to by Mr. Howell and Mr. Alsup a few minutes ago as being the man from the -- as being the deputy from the Bureau of Revenue that has been operating in the San Juan Basin investigating the thefts of drip in that area?

A I believe that is right.

Q Would you state to the Commission briefly, Mr. Ramsey,

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your background in the law enforcement field?

A I worked prior to beginning with the Bureau of Revenue for nineteen years as a law enforcement officer for the Department of Game and Fish and worked especially as a trouble shooter, which took me all over the state in law enforcement.

Q About how long did you work in that capacity in the San Juan Basin?

A I started to work the first of July, 1961. I have been working ever since.

Q That is where the Bureau of Revenue is?

A Right.

Q Now, to whom are you directly responsible in the Bureau of Revenue?

A Mr. Earnest Hawkins the director of the Gasoline Tax Division.

Q And what are your duties?

A To patrol the gas field areas in the San Juan Basin, to try to apprehend people that are using gasoline without paying the tax, the New Mexico tax.

Q And this type of person necessarily is a person that is stealing drip or condensate from the traps without any legal authority?

A Yes.

Q Mr. Ramsey, does your work take you all over the gathering fields in the San Juan Basin?



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A Yes.

Q And is quite a lot of the land in which you operate part public domain?

A About ninety-five percent or a little more is public domain, some kind or other, either Federal or State land.

Q Does this present any particular problem with you in respect to your investigatory work?

A No, it leaves a free access to any part of the country, to any person, day or night. We don't have any locked gates or private property to amount to anything in that area.

Q So to a would-be thief of drip, gasoline, or condensate, they would have free access to the various locations without respect to gain entry through some fence or something?

A Yes, sir, that is right.

Q Mr. Ramsey, I believe you were in the audience when Mr. Alsup testified that El Paso had some 3,000 distillate or drip traps -- maybe 1,000 of those were drip traps. How many trap points do you have in your area that you directly control, directly investigate?

A All that is in the New Mexico comes under --

Q Let's just say in the San Juan Basin. Are there about 4,000 traps or so up there?

A All that is in the San Juan Basin in the State of New Mexico.

Q Yes. Mr. Ramsey, this takes quite a bit of your time,



doesn't it?

A Yes, sir, I put in full time at it.

Q Sometimes that requires day and night work, does it not?

A It requires probably more night work than day. Quite a lot of people stealing gasoline are apprehended between midnight and 4:00 a.m.

Q Without divulging any of your trade secrets, could you briefly tell us some of your experiences in apprehending some of the thefts that have gone on in the San Juan area?

Q Well, I try to locate the storage tanks that are being used and you can ascertain which storage tanks are used the most by the barrel marks, tracks to the storage tanks. I do this in daytime and then I go back at night and, of course, try to catch the roads that will bottleneck as much of the area as possible. Then I work without lights, as a rule, on the oil field roads or gas field roads. And I use binoculars in checking all of the area. The binoculars bring out any light and help me locate that pinpoint of activity in a maze of roads from a high point. In some places it is necessary to watch all of the roads you can and this is mostly in the canyon country. Just merely spotting a light wouldn't help you find the person that was -- where the light originated.

Q In other words, Mr. Ramsey, you have to try to anticipate the exact point where the theft is going to occur?

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A Yes.

Q And then you have to try to spot the theft actually taking place and sneak up on them and actually catch them in the act?

A Or intercept them as they come away from the location.

Q Now, could you give us the approximate number of arrests that you have made with respect to stealing drip or condensate since the first of this year?

A Since the first of January, we have processed about, approximately ninety persons through Justice of the Peace court.

Q These were actually arrests that you took on to the Justice of the Peace and actually preferred charges against the person and obtained a conviction of some sort?

A Yes, sir.

Q Now, in addition to those ninety, are there other occasions when you have caught people in the act of maybe stealing just a few gallons and have given them warnings?

A We issue mostly more warnings than we do -- than we make arrests. Probably quite a lot more warnings. I haven't kept a record of it, but it amounts to about as many.

Q Now, of these arrests that you have made, generally what was being done, was it just a car that had gone out there and filled up its gasoline tank or something, or a little larger than that?

A We haven't made a policy of arresting persons just for putting gasoline in their tanks. We warn them especially of the



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danger involved, but where they are transporting, we have arrested in every case. We find the quantity being transported anything from a five-gallon can to as much as six or eight barrels, depending on the vehicle.

Q And these arrests, have you been able to determine to what use the drip was going to be put when it was being taken, in two, three, four, five barrel-quantities?

A No, sir, not in every case. Most of the time we ask the subject what they are going to do with it and they usually tell us they were getting it to use to go back and forth to work or something of that nature and burning it in automobiles, in other words.

Q So even where they were taking several barrels, it was still for their own personal use or maybe for their friends or acquaintances?

A Yes.

Q Now, in the arrests that you have made, were any of these arrests made of persons that were in your opinion dealing in a large scale operation, stealing drip in great quantities?

A That is hard to ascertain. We don't know how many trips they make. The roads, in dry weather, are well maintained and they can make a good many trips.

In one instance, we had a Chrysler car that had ninety gallons of drip in the back or the turtle and the lid was shut down. From the outside appearance, you couldn't see he had any-



thing, overloaded springs.

Q It would appear he had given it some thought to installing this large tank before he went out there to --

A Yes, he had it in two thirty-gallon drums and the rest in five-gallon GI cans further in back of the trunk.

Q Have you ever had any experience with what you might call professional thieves operating in this area?

A Very recently we stopped a boy that was hauling to logging mills in Colorado and in talking to him, he admitted he had been doing that same thing four years and he was coming in on a back road where he didn't have far to go to pick the drip up and get right back into Colorado.

Q Have you ever had any experience, Mr. Ramsey, with personnel from any of the oil or gas-producing companies, the company personnel themselves, involved in theft of this drip?

A Yes, sir.

Q You don't need to mention any of the companies' names.
(Laughter.)

Q Could you relate to us the details of any particular occurrence?

A Recently we had a person that was taking the gasoline purchased from a station out of his vehicle and replacing it with drip gasoline. When he would get a quantity, a barrel or two gathered, he would send it in for his personal use.

Q Do you have any indication of any -- are there any in-

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stances where you have discovered large quantities of drip were being sold directly to service stations?

A We haven't prosecuted anyone on that. We had several instances of apprehending the subjects in transporting and we apprehended them before they got to the station and we haven't prosecuted a station operator as yet for selling drip gasoline.

Q Do you feel that this is occurring in the area even though you have not actually apprehended anyone in the process of doing it?

A Yes, sir, we have quite a bit of evidence of adding drip gasoline to the purchased gasoline or refined gasoline and after it merges, it's very hard to determine what it is.

Q Mr. Ramsey, I believe earlier Mr. Alsup testified the thefts in the area have dropped by one-third since you started operating, which is very commendable for your efficiency in the area. Do you feel that your manner of investigation, the way you go about apprehending the thieves of this drip gasoline, would ever be sufficient enough to actually curb the problem?

A No, sir, I don't feel it would.

Q This might be due to several things; and for one thing, there might be some large scale operation going on by something more than just an amateur thief, which would be very difficult to apprehend in the manner in which you are doing it?

A Yes, sir.

Q Do you believe, Mr. Ramsey, that the tender system such



as we discussed here this morning would help the apprehension of the thieves of drip?

A Undoubtedly it would help tighten the control.

Q Now, would this be effective with respect to the small thefts or more effective with respect to large quantities being taken?

A I believe it would help in taking the large quantities.

Q In your experience in law enforcement work, Mr. Ramsey, have you had any experience with additives?

A No, we haven't used anything to discourage the use of gasoline or that would impair or damage any vehicles at all.

Q You are familiar with the process of adding chemicals to various products in order to identify them or to make them unfit for use?

A Yes, we have been furnished with some chemicals that would help indicate stolen gasoline. It would be added to the tank before the gasoline was taken and then would have to draw a sample and add some other chemical to it. That would require checking before and after the theft.

Q Which in turn would produce a reaction so you can tell that this particular gasoline had been stolen from the particular drip?

A We definitely could tell even though it was mixed with other gasoline.

Q Is there any use made of this chemical?

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A No, not yet.

Q This is a possibility?

A That is right.

Q One way of arriving at a solution to this problem?

A That is right.

Q Mr. Ramsey, do you have anything further that you believe would be, in your experience in this area, pertinent to this Hearing today, that you would like to offer?

A No, except that we definitely need some kind of a control, some kind of a way to know how much gasoline is taken and from where and whether the same manifests or bill of lading are being used more than once to cover a load.

Q Do you have anything else?

A No, I believe that is all.

MR. PORTER: One thing we can conclude from Mr. Ramsey, that we have a lot of people that believe in free enterprise.

(Laughter.)

MR. PORTER: Any more questions?

CROSS EXAMINATION

BY MR. HOWELL:

Q Mr. Ramsey, about what punishment has the Court been meting out to these people that you have arrested and brought before the Justice of the Peace?

A It is classified as a misdemeanor. Penalties range from \$25 and costs of court, which is usually \$5.00, up to \$100 and



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the cost of court, and they can draw up to six months in the county jail, in addition. It is quite customary with the Justice of the Peace we have been using to impose the minimum fine, in most of the cases, and depending on the circumstances and what they were apparently going to do with the gasoline, and we have quite a number of the maximum penalties also, but in most of the cases, it has been the minimum penalty; and on a repeat -- they have almost made it mandatory among the judges, I think, that the kind of policy they adopted themselves to assess a jail sentence, usually fifteen days on the second offense.

Q Have you had some repeaters?

A I believe we've had three.

MR. HOWELL: That is all.

MR. PORTER: Anyone else have a question?

CROSS EXAMINATION

BY MR. REAGIN:

Q Has there ever been any tank truck apprehended with W.

A. Reagin on it?

MR. MORRIS: Are you represented by an attorney?

MR. REAGIN: No, sir.

MR. MORRIS: Are you representing yourself?

MR. REAGIN: Yes.

MR. MORRIS: Would you ask the question again, please?

Q (by Mr. Reagin) Has there ever been any tank truck apprehended that was hauling wagonloads of this product?



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A Yes, we have had.

Q I mean the actual tank vehicles?

A Yes.

Q Has that been very often?

A No, it's not a common thing. We have only apprehended two small tanks and both of them, incidentally, were from over two hundred miles out in the field. They came in from points south of Albuquerque and up to a point in the Gobenador area.

Q Then this form they would never have or heard of, probably, if it was in the field?

A I don't understand.

Q This C-110-A of which the meeting is considering, it would not abide -- what I mean by that, they're in or out of the country, they are not what you call a legal law anyway or --

Q No, they weren't authorized to haul.

MR. REAGIN: That is all.

MR. PORTER: Mr. Easley.

CROSS EXAMINATION

BY MR. EASLEY:

Q Mr. Ramsey, what charges have you been filing on these people that you apprehended?

A Possession and transportation of drip gasoline.

Q What percentage of convictions have you been getting? Let's say in number, how many per month?

A We have had one hundred percent convictions.



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Q You state that you are the only man up there that was working this for the Bureau of Revenue?

A No, there is another one, a Mr. Munson is working for the Bureau of Revenue. He operates differently than I do. He audits the books and papers of the filling stations. He is in the process of auditing several of the service stations in the San Juan Basin area.

Q Had you or anyone in charge of your operation considered filing petty theft charges against these people?

A Yes, we have filed petty theft charges.

Q Had you at any time filed any felony charges against those that might have more than \$50 worth of gasoline in their possession?

A No, we haven't.

Q Without trying to pry into your private business, Mr. Ramsey, but in the interest of determining just what the cost of your enforcement is there, how much would you estimate it would take to pay your salary and your car expenses per month or per year, in other words, the cost of your enforcement you are doing?

A I have been driving a little over 6,000 miles a month and it costs, car maintenance, tires, batteries, gasoline and all upkeep including the two-way police radio, has been about 3.8¢ per mile. It runs very little and my salary is around \$500 a month and about \$200 a month per diem, which would make the total around \$1,000 a month.



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Q What have you attempted, to get more revenue people up there on that job to help police it?

A No, there hasn't been an effort made by the gasoline companies to get the Bureau to hire some more men. They are badly needed.

Q Do you think any change in this penalty, as far as the law is concerned, would aid in the enforcement problem?

A Well, I don't know exactly how to answer that one. In some instances, the penalty is severe enough, but in some cases it doesn't carry a high enough maximum; it should be more maximum.

MR. EASLEY: That is all.

MR. PORTER: You say you have caught only three repeaters?

A Yes.

MR. PORTER: That means they either quit or got smart?

A Yes.

MR. PORTER: Anyone else have a question?

CROSS EXAMINATION

BY MR. WALKER:

Q Mr. Ramsey, what percentage of the people you have apprehended worked for the companies in the Basin?

A Practically all of them are involved with companies. Now, there is some few farmers that were apprehended, and most of these people are working at some job or another involving company work. That doesn't necessarily mean that they are stealing from



their own company. They go ahead and take the gasoline wherever it is handiest.

Q Is this reported to the company?

A Yes -- well, in the case they are stealing from the company or using company equipment to burn the gasoline, it is reported to the company.

Q Any action ever been taken by the company?

A I believe so, yes.

Q In all the cases or just part of the cases?

A Just part of the cases, they adopted a policy after the first offense and they have stayed with their policy since they have adopted it.

Q Do you know of any company that after one of their employees had been apprehended, where they haven't been dismissed or discharged?

A Yes, I know of two companies that retained their men after they were convicted and paid fines.

MR. WALKER: Thank you.

MR. PORTER: Anyone else have a question of Mr. Ramsey?

MR. MORRIS: I want to thank Mr. Ramsey for coming here today and presenting himself on the testimony.

MR. PORTER: I would like to say to you, Mr. Ramsey, that you and your colleague up there have been doing some rather effective work.

You may be excused.

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(Witness excused.)

MR. RAMSEY: Thank you.

MR. PORTER: Anyone else desire to present testimony in this case?

MR. HOWELL: Mr. Chairman, on behalf of my clients, we will wait for further developments to present any further testimony. As I understand, this is to be continued at this time?

MR. PORTER: Well, Mr. Howell indicated he would make such a motion.

MR. HOWELL: That is correct. If there is no further testimony, I will at this time make a motion that the case be continued for a period of two months and that the Commission designate some central point, either someone in the Commission or a volunteer. We are volunteering our services if we can be of any help in any way. Anyone having suggestions and ideas, we would like them channeled and directed to one point with the thought of trying to get together and having a meeting of the people effected prior to the next hearing by the Commission and seeing if the problems can be resolved that way, rather than to solve them in argument before the Commission, and also that in the form of a separate motion that the Commission issue a notice for the postponed hearing. That would be broad enough to cover the adoption of a rule requiring some form of manifest or tender for condensates as well as drips.

MR. PORTER: Mr. Hasley.

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MR. EASLEY: Mr. Chairman, not in any sense posing a motion, but in order to point up some of the problems involved, my client, General Petroleum, Inc., has prepared a statement which we would like to read into the record, if there is no objection.

MR. PORTER: You may proceed.

MR. EASLEY: "General Petroleum, Inc., concurs with the desires and purposes of the parties to the hearing and would support any action which would assure more efficient and legitimate handling of the products to be covered. However, we feel that the revisions proposed would impose an undue hardship on those legitimate operators presently servicing, transporting, and selling drip oil, while in no way deterring the illegitimate operator. In our opinion, the essence of the proposed revisions is the witness and certification of fluid acquisition at each and every drip serviced by operators and transporters of drip. We feel that particularly here in the southeast where many drips are serviced in a single day for relatively small volumes, that such a requirement would make continued service on this basis uneconomical. Further, it is our feeling that the irregularities incident to the handling of this product are a problem of enforcement. We feel that the present rules provide adequate protection for the acquisition and reporting of this product. We would like to refer directly to Rule 314 and in particular to Paragraph G thereof:

"Every person transporting drip directly from a gas gathering or transportation system shall keep a record of daily acquisitions from each drip trap authorized to

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service, which record shall be made available at all reasonable times for inspection by the Commission or its authorized representative.'

"We feel that this paragraph, if enforced, could provide all of the information desired by C-110-A (proposed) with the exception of a witness and validation by the seller. The witness by the seller of such acquisitions would place a tremendous burden on the personnel of such seller in that they would be required to be present at all acquisitions. I am sure that the industry would support the Commission's efforts to police these acquisitions and it will require such cooperation from all segments of the industry to insure sufficient numbers to achieve this end.

"We would like to recommend that all efforts be made to enforce the present rules and regulations before any new regulations or revisions are attempted, and in this regard, we would respectfully suggest that the Commission could, by memorandum from the secretary-director, further amplify the requirements for records and reporting as set out in Rule 314 (g) so that a field surveillance or inspection could adequately assure the validity and source of the fluids being transported at any one time. Such memorandum could further require that every truck or other vehicle moving, hauling, transporting drip, with the State of New Mexico, have the name of its owner and number of such truck or vehicle plainly stencilled on each side thereof. If it was deemed necessary, the Commission could require and provide a seal, sticker, or other device which could be placed on all certified vehicles

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servicing this product.

"It is our position that the Commission has adequate power to prescribe the form of this reporting and may require that it be available in the vehicle. However, the other part of the proposed rule would necessitate the presence of the seller or his agent at every drip trap in the state when the acquisitions are made. This, we think, is not feasible and would not accomplish the ends desired."

Of course, that part of it, if the Commission please, would not be applicable under the announced policy of the proponents here that they do not intend to pursue the requirements that this form be signed at the place of acquisition, and I would like to call on Mr. Bill Jameson at this time to make a statement to the Commission.

MR. JAMESON: On behalf of Southern Union Gas Company, let me say at the outset we are entirely in sympathy with the objective sought to be achieved by El Paso Natural Gas Company's proposal. We came up here prepared to offer testimony to show the undue hardship that would be worked in connection with the particular proposal and the exact form proposed, but I don't believe it would be appropriate to offer that testimony in view of Mr. Alsup's statement that this particular form and the exact mechanics of it are due for re-working. He mentioned two or three of the matters we felt would work a hardship on us, and so at this stage, we will not offer testimony but will urge that the Commission go ahead

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and grant El Paso's motion for a continuance of the matter and give us an opportunity to try and sit down with them and work out our problems. The operations are somewhat different in the way they are carried out and I believe we can reconcile our differences and probably come up with something that will be in agreement, the particular operating characteristics of each company.

MR. PORTER: Anyone else have a statement to make before we make a ruling on the motion?

MR. RISIEN: Mr. Chairman, I would like to suggest Mr. Howell's office would be the natural depository for these suggestions or complaints or whatever they are going to be and we will enjoin in the motion for a continuance. We recommend his office being designated as the place to send the correspondence concerning this proposed rule if the Commission sees fit to do it in that manner.

MR. PORTER: Anyone else have a statement?

MR. LOGAN: I am at this time a chairman of a committee appointed by New Mexico Petroleum Industries to suggest or study suggestions as means for a prevention of this theft of drip.

In a meeting on May 10, the committee agreed, among other things, we would at this time support any principle to this proposed provision to drip. We recognize that a tender system would cause considerable hardship; also it would be impossible to enforce many loopholes, but the overriding thought was that some sort of a tender system was necessary in order to comprehensively

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enforce this regulation.

MR. PORTER: Thank you, Mr. Logan.

MR. RAPER: Thedus Raper, Warren Petroleum Corporation seconds the motion that the case be continued and that Warren would like to go on record as stating it would work a hardship on us in our operation, operating a low-pressure gathering system where we collect small particles of scrub oil, and we feel like El Paso definitely has a problem and we sympathize with them. We don't feel it applies to any county in New Mexico.

MR. MORRIS: If the Commission please, I would like to make two points.

I think any further consideration of this matter, the jurisdiction of the Oil Conservation Commission should be studied whenever a proposed rule would have us or this body regulating transportation which, of course, is the field usually reserved to the State Corporation Commission. I think the proposed rule should carefully consider at this point. I also believe any further consideration of this matter should try to take into account the use of an additive of some sort as a company's own means of preventing or making futile the theft of drip condensate.

MR. PORTER: Anyone else have anything to say?

MR. DODD: I am Jack Dodd with Shell Oil Company. I will say that Paragraph (a) through (h) are adequate for recording the proposed revisions. Under the circumstances, any change if necessary can be listed in Paragraph (i) where every truck or

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other vehicle moving, hauling and transporting drip within the State of New Mexico shall have the name of the owner and the number of such truck, or vehicle, plainly stencilled on each side thereof.

MR. PORTER: Anyone else have a statement?

Mr. Howell, it seems to me this would have to be broadened to the extent that we satisfy everybody concerned.

The Commission has ruled that we will dismiss this case and that we will appoint El Paso as a clearinghouse for suggestions from any interested parties or any individuals concerned. We are going to suggest that El Paso, when they have received these suggestions, call a meeting of those interested parties, those people making suggestions, if there are suggestions different from El Paso's, which apparently some will be, and we would also call on El Paso to put the responsibility on El Paso of requesting or filing a new application requesting the Commission to call it on our own motion, at a particular time after you have had your meeting and also we would rule that the record in this case here today be incorporated as part of any new case that was brought on.

MR. HOWELL: Thank you, Mr. Chairman.

Would any parties desiring to make suggestions or participate in this meeting please address their request to El Paso Natural Gas Company, Proration Department, Post Office Box 1492, El Paso, Texas, and we will not act to try to get a meeting called

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prior to the end of May, so please get the suggestions in by that time. That should be sufficient time for suggestions and then notices would be sent of any meeting to all parties who had written in prior to the end of May.

MR. PORTER: That would allow approximately two weeks for anyone to get their suggestions to the address Mr. Howell has given us.

No questions concerning the rule, the Hearing is recessed until 1:30.

(Whereupon said Hearing was recessed to the hour of 1:30 o'clock P.M.)

* * * *

(1:30 P.M. session.)

MR. PORTER: The meeting will come to order, please.

Immediately after we have concluded the docket, the Forms Committee of the New Mexico Oil & Gas Association will meet with Commission personnel at the Commission office at 1000 West Broadway.

The next case on the docket is Case 2559.

* * * *



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STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) ss.

I, JAMES MALONEY, NOTARY PUBLIC in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached transcript of proceedings was reported by me in stenotype and that the same was reduced to typewritten transcripts under my personal supervision and contains a true and correct record of said proceedings, to the best of my knowledge, skill and ability.

James Maloney
NOTARY PUBLIC

My Commission expires:

April 12, 1966

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Memo

8-10-62

From

A. R. Kendrick
Engineer

MAIL ROOM 000

To Dan et al:

RE: Case 2618 2 AUG 13 AM 8 14

The attached is a revision to EPNG's proposed form C-110-A.

We think that someone should sign as receiver of all loads to cancel the ticket and prevent duplicate loads on one ticket.

We think it a good idea that the driver make the entry showing place of delivery prior to leaving the tanks - it would more or less dictate his route and relieve him of a plea of ignorance.

We'll see you Tuesday

Please pass this around.

AR

NEW MEXICO OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

DRIP TRANSPORTER'S REPORT

Producer's Identification No. _____

Ticket No. _____

SECTION I (Owner)

1. Name of owner of drip _____
 a. Produced by owner _____ b. Purchased from producer _____
 (Check one. If b. is checked, attach copy of Form C-110-B showing transfer of title)
2. Address of owner _____
3. Source of drip _____
4. Destination _____
 (Name and physical place to which delivery authorized)

I hereby certify that on this _____ day of _____, 19____, I have authorized the below-named transporter to gather and transport to the above destination the quantity of drip specified below and that I have authority to sell same.

 Signature of owner's agent

SECTION II (Transporter)

1. Name and address of owner of vehicle _____
2. Type of vehicle _____ 3. License No. of vehicle _____
4. Name of vehicle owner's agent ordering trip _____
5. Date ordered _____
6. Facilities to be serviced _____

The undersigned accepts drip for delivery in accordance with the above directions.

 Signature of transporter's agent

SECTION III (Driver)

1. Name and address of driver _____
2. Load to be delivered to _____
 (Name of company and physical place of delivery)
3. Load consists of the following:

TANK NO.	SOURCE (drip or lease)	GAUGES		GROSS BARRELS	GATE & NO. LOADED
		TOP	BOTTOM		
		Ft. _____ In. _____	Ft. _____ In. _____		
		Ft. _____ In. _____	Ft. _____ In. _____		
		Ft. _____ In. _____	Ft. _____ In. _____		
		Ft. _____ In. _____	Ft. _____ In. _____		

TOTAL BARRELS _____

I hereby certify that drip transported by me was obtained by me from the source indicated and loaded as indicated.

(THIS SECTION TO BE COMPLETED BEFORE LEAVING TANKS)

 Signature of driver

SECTION IV (Receiver)

I hereby certify that I am an agent for (company) _____
 and that I have received _____ barrels of drip from (identify truck) _____
 for the account of (owner) _____
 at _____, N.M. on this _____ day of _____, 19____.

 Signature of receiver's agent

NEW MEXICO OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

DRIP TRANSPORTER'S REPORT

Producer's Identification No. _____

Ticket No. _____

SECTION I (Owner)

1. Name of owner of drip _____
 a. Produced by owner _____ b. Purchased from producer _____
 (Check one. If b. is checked, attach copy of Form C-110-B showing transfer of title)
2. Address of owner _____
3. Source of drip _____
4. Destination _____
 (Name and physical place to which delivery authorized)

I hereby certify that on this _____ day of _____, 19____, I have authorized the below-named transporter to gather and transport to the above destination the quantity of drip specified below and that I have authority to sell same.

Signature of owner's agent _____

SECTION II (Transporter)

1. Name and address of owner of vehicle _____
2. Type of vehicle _____ 3. License No. of vehicle _____
4. Name of vehicle owner's agent ordering trip _____
5. Date ordered _____
6. Facilities to be serviced _____

The undersigned accepts drip for delivery in accordance with the above directions.

Signature of transporter's agent _____

SECTION III (Driver)

1. Name and address of driver _____
2. Load to be delivered to _____
 (Name of company and physical place of delivery)
3. Load consists of the following:

TANK NO.	SOURCE (drip or lease)	GAUGES		GROSS BARRELS	DATE & HR. LOADED
		TOP	BOTTOM		
		Ft. _____ In. _____	Ft. _____ In. _____		
		ft. _____ in. _____	ft. _____ in. _____		
		ft. _____ in. _____	ft. _____ in. _____		
		ft. _____ in. _____	ft. _____ in. _____		

TOTAL BARRELS _____

I hereby certify that drip transported by me was obtained by me from the source indicated and loaded as indicated.

(THIS SECTION TO BE COMPLETED BEFORE LEAVING TANKS)

Signature of driver _____

SECTION IV (Receiver)

I hereby certify that I am an agent for (company) _____
 and that I have received _____ barrels of drip from (Identify truck) _____
 for the account of (owner) _____
 at _____, N.M. on this _____ day of _____, 19____.

Signature of receiver's agent _____

NO. 24-62

DOCKET: REGULAR HEARING - WEDNESDAY - AUGUST 15, 1962

OIL CONSERVATION COMMISSION - 9 A.M. - MORGAN HALL, STATE LAND OFFICE
BUILDING, SANTA FE, NEW MEXICO

- ALLOWABLE:**
- (1) Consideration of the oil allowable for September, 1962.
 - (2) Consideration of the allowable production of gas for September, 1962, from ten prorated pools in Lea and Eddy Counties, New Mexico, also consideration of the allowable production of gas from nine prorated pools in San Juan, Rio Arriba and Sandoval Counties, New Mexico, for September, 1962.

CASE 2504:

(REHEARING)

Application of Consolidated Oil & Gas, Inc. for an amendment of Order No. R-1670-C, changing the allocation formula for the Basin-Dakota Gas Pool, San Juan, Rio Arriba and Sandoval Counties, New Mexico.

NOTICE

CASE 2504 has been continued by the Commission to the September 13, 1962 regular hearing, at 9 o'clock a.m., Morgan Hall, State Land Office Building, Santa Fe, New Mexico. All parties who entered a formal appearance have been notified of the continuation by certified mail.

CASE 2561:

(Continued)

In the matter of the hearing called on the motion of the Oil Conservation Commission to consider revising Rule 111, Deviation Tests and Whipstocking. The Commission will consider the report and recommended rule of the Industry Committee appointed by the Commission after the May, 1962 hearing. The proposed rule, as stated in the Committee Report, reads in its entirety as follows:

Rule 111. Deviation Tests and Directional Drilling

- (a) Any well which is drilled or deepened with Rotary Tools shall be tested at reasonably frequent intervals not to exceed 500 feet or at the next subsequent bit change to determine the deviation from the vertical. A sworn notarized tabulation of all tests run shall be filed with Form C-105, Well Record. When such deviation averages more than five degrees in any 500 foot interval, the Commission may request that a directional survey be run to establish the location of the producing interval(s).

Rule 111. Deviation Tests and Directional Drilling (Cont.)

The Commission, at the request of an offset operator, may require any operator to make a directional survey of any well. Said directional survey and all associated costs shall be at the expense of the requesting party and shall be secured in advance by a \$5,000 indemnity bond posted with and approved by the Commission. The requesting party may designate the well survey company, and said survey shall be witnessed by the Commission.

(b) No well shall be intentionally deviated in a predetermined direction without special permission from the Commission. Permission to deviate toward the vertical to straighten an excessively deviated well bore as defined in (a) above; or to sidetrack junk in the hole in an indeterminate direction or toward the vertical; or to drill a relief well to control a blow-out shall be obtained from the appropriate District Office of the Commission on Commission Form C-102 with copies of said Form C-102 being furnished to all offset operators. Permission to deviate a well in any other manner or for any other reason will be granted only after notice and hearing. Upon completion of any well that was deviated in a predetermined direction, except toward the vertical, a directional survey of the entire well bore must be run and filed with the Commission. In addition, all directional surveys run on any well that was intentionally deviated in any manner for any reason must be filed by the operator with the Commission upon completion of the well. Prior to the assignment of an allowable, operator shall submit a sworn notarized statement to the effect that all directional surveys run on the well have been filed.

CASE 2618:

Application of El Paso Natural Gas Company for a revision of Rule 314. Applicant, in the above-styled cause, seeks the revision of Rule 314 pertaining to the gathering, transporting and sale of drip to provide for the redefinition of drip also to include condensate; to further regulate the transportation of drip, as redefined; and to require the reporting of such transportation on Forms C-110-A and C-110-B.

CASE 2503:

Application of the Oil Conservation Commission, on its own motion, to consider the establishment of minimum gas allowables in the Blanco-Mesaverde, Aztec-Pictured Cliffs, Ballard-Pictured Cliffs, Fulcher Kutz-Pictured Cliffs, South Blanco-Pictured Cliffs, and West Kutz-Pictured Cliffs Gas Pools, San Juan, Rio Arriba and Sandoval Counties, New Mexico.

-3-

Docket No. 24-62

CASE 2619: Southeastern New Mexico nomenclature case calling for an order creating new pools and extending certain existing pools in Lea and Roosevelt Counties, New Mexico.

(a) Create a new oil pool for Montoya production, designated as the North Justis-Montoya Pool, and described as:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM

Section 1: NW/4

(b) Create a new oil pool for Waddell production, designated as the North Justis-Waddell Pool, and described as:

TOWNSHIP 24 SOUTH, RANGE 37 EAST, NMPM

Section 35: SE/4

(c) Extend the Allison-Pennsylvanian Pool to include:

TOWNSHIP 8 SOUTH, RANGE 36 EAST, NMPM

Section 25: NW/4

TOWNSHIP 9 SOUTH, RANGE 37 EAST, NMPM

Section 4: NW/4

Section 8: SW/4

(d) Extend the Blinebry Pool to include:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM

Section 5: N/2

(e) Extend the South Crossroads-Devonian Pool to include:

TOWNSHIP 10 SOUTH, RANGE 36 EAST, NMPM

Section 15: W/2

(f) Extend the Hobbs Pool to include:

TOWNSHIP 19 SOUTH, RANGE 38 EAST, NMPM

Section 22: N/2 NW/4

(g) Extend the Justis-Blinebry Pool to include:

TOWNSHIP 26 SOUTH, RANGE 37 EAST, NMPM

Section 1: NE/4

- (h) Extend the North Justis-Blinebry Pool to include:

TOWNSHIP 24 SOUTH, RANGE 37 EAST, NMPM
Section 35: SW/4

- (i) Extend the North Justis-Ellenburger Pool to include:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM
Section 2: SE/4

- (j) Extend the North Justis-Fusselman Pool to include:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM
Section 2: SE/4

- (k) Extend the North Justis Tubb-Drinkard Pool to include:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM
Section 2: SE/4

- (l) Extend the Lea-Pennsylvanian Gas Pool to include:

TOWNSHIP 20 SOUTH, RANGE 34 EAST, NMPM
Section 11: E/2
Section 12: All

- (m) Extend the South Lane-Pennsylvanian Pool to include:

TOWNSHIP 10 SOUTH, RANGE 33 EAST, NMPM
Section 35: NW/4

- (n) Extend the Medicine Rock-Devonian Pool to include:

TOWNSHIP 15 SOUTH, RANGE 38 EAST, NMPM
Section 23: NW/4

- (o) Extend the Saunders Permo-Pennsylvanian Pool to include:

TOWNSHIP 14 SOUTH, RANGE 33 EAST, NMPM
Section 21: SW/4

- (p) Extend the East Saunders Permo-Pennsylvanian Pool to include:

TOWNSHIP 14 SOUTH, RANGE 34 EAST, NMPM
Section 17: NW/4

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Docket No. 24-62

(q) Extend the Sawyer-San Andres Gas Pool to include:

TOWNSHIP 10 SOUTH, RANGE 38 EAST, NMPM
Section 5: NE/4

(r) Extend the East Weir-Blinebry Pool to include:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM
Section 12: NW/4

iqg/
bft

RULE 314: GATHERING, TRANSPORTING, AND SALE OF DRIP OR CONDENSATE
(As proposed by El Paso Natural Gas Company)

- (a) For the purpose of this Rule, condensate is defined as any liquid hydrocarbon which is produced at the wellhead incidental to the production of gas well gas and separated from the gas by conventional separation methods; drip includes condensate, as defined above, or any liquid hydrocarbon incidentally accumulating in a gas gathering or transportation system, or any mixture of such hydrocarbons.
- (b) The waste of drip is hereby prohibited when it is economically feasible to salvage same.
- (c) Transportation and sale of drip is hereby authorized provided the provisions of this Rule are complied with and Commission Form C-110 has been completed and filed in compliance with the provisions of Statewide Rule 1109.
- (d) Every person transporting drip within the State of New Mexico shall file Commission Form C-112 in compliance with the provisions of Statewide Rule 1111.
- (e) The owner during transportation and all persons transporting drip by truck or other vehicle shall make report of such transportation on Commission Form C-110-A. When the owner is also the transporter, the owner shall complete Sections I and II of the Form, furnish one copy to the driver of the vehicle and, when the trip has been completed, file one completed copy with the Commission. When the owner is not the transporter, the owner shall complete Section I of Form C-110-A and deliver the Form to the transporter, who shall complete Section II of Form C-110-A and furnish the driver of the vehicle with one copy and, when the trip has been completed, file one completed copy with the Commission. The driver of the vehicle shall complete Section III of Form C-110-A. The person driving or operating a vehicle transporting drip shall have in his possession a copy of Form C-110-A signed by the owner and transporter, or an authorized agent, in the appropriate Section thereof, showing the name and address of the owner, the source and destination of the drip, the name and address of the owner of the vehicle, type of vehicle, license number of vehicle, name and address of driver of vehicle, quantity of drip transported, and date and time and places loaded.

(Over)

If the owner of said drip is not the producer thereof, each and every operator of such truck or other vehicle shall have in his possession, in addition to the above requirements, a completed copy of Commission Form C-110-B, signed and certified by the producer and the purchaser of said drip, or their agents, in the appropriate Section thereof, showing the name and address of the producer, the name and address of the purchaser, the source of the drip and the expiration date of the authority of the purchaser to transport drip from the producer's system or other facility. Commission Form C-110-B shall be prepared in sufficient number by the purchaser. One copy shall be retained by the producer, one copy by the purchaser, one copy shall be filed by the purchaser with the Commission, and one copy shall be given to each vehicle driver having need thereof.

- (f) Every gas transporter in the State of New Mexico shall, on or before the first day of November of each year, file with the Commission maps of its entire gas gathering and transportation systems within the State of New Mexico, locating and identifying thereon each drip trap and/or tank in said systems, said maps to be accompanied by a report, on a form prescribed by the Commission, showing the disposition being made of the drip from each of such facilities.

NEW MEXICO OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
DRIP TRANSPORTATION REPORT

FORM C-110-A
(As proposed by
El Paso Natural
Gas Company)
TICKET NO. _____

PRODUCER'S IDENTIFICATION NO. _____
(To Be Inserted by Owner of Drip)

SECTION I

1. NAME OF OWNER OF DRIP _____

a. PRODUCED BY OWNER ☐ b. PURCHASED FROM PRODUCER ☐
(Check one. If b. is checked, attach copy of Form C-110-B showing transfer of title)

2. ADDRESS OF OWNER _____

3. SOURCE OF DRIP _____

4. DESTINATION _____

(Name of Person and Physical Place to Which Delivery Authorized)

I hereby certify that on this _____ day of _____, 19____, I have authorized the below-named transporter to gather and transport to the above destination the quantity of drip specified below and that I have authority to sell the same.

Signature of Owner or Agent

SECTION II

1. NAME AND ADDRESS OF OWNER OF VEHICLE _____

2. TYPE OF VEHICLE _____

3. LICENSE NO. OF VEHICLE _____

4. NAME OF OWNERS AGENT ORDERING TRIP _____

5. DATE ORDERED _____

6. FACILITIES TO BE SERVICED _____

The undersigned accepts drip for delivery in accordance with the above directions.

Signature of Transporter or Agent

SECTION III

1. NAME AND ADDRESS OF DRIVER _____

Source	Gauge (Top)		Gauge (Bottom)		Barrels	Date and Hour
	Ft. _____	In. _____	Ft. _____	In. _____		
	Ft. _____	In. _____	Ft. _____	In. _____		
	Ft. _____	In. _____	Ft. _____	In. _____		
	Ft. _____	In. _____	Ft. _____	In. _____		
	Ft. _____	In. _____	Ft. _____	In. _____		

Total _____

I hereby certify that drip transported by me was obtained by me from the source described in Section I and loaded as described in Section III.

Signature of Driver

NEW MEXICO OIL CONSERVATION COMMISSION

SANTA FE, NEW MEXICO

DRIP SALE AND PURCHASE REPORT

(As proposed by
El Paso Natural
Gas Company)

I

NAME OF PRODUCER

ADDRESS OF PRODUCER

SOURCE OF DRIP

EXPIRATION DATE OF THIS AUTHORIZATION

I certify that I have transferred title to the drip from the above source or sources to the below-named purchaser and he is hereby authorized to obtain drip from such source or sources until the expiration of this authorization.

Producer

II

NAME OF PURCHASER

ADDRESS OF PURCHASER

I certify that I am the purchaser and owner of the drip from the source or sources indicated above and am authorized to remove the same until the expiration date set out in Section I above.

Purchaser

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. 2558
Order No. R-2254

APPLICATION OF THE OIL CONSERVATION
COMMISSION ON ITS OWN MOTION AND AT
THE REQUEST OF EL PASO NATURAL GAS
COMPANY TO AMEND RULE 314.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on May 16, 1962, at Hobbs, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 7th day of June, 1962, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

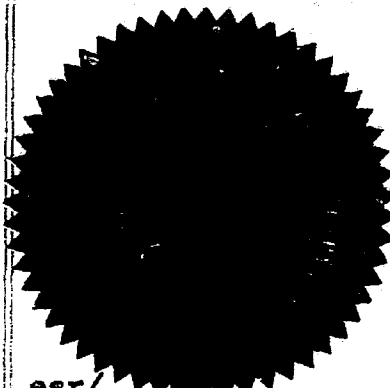
(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the subject application should be dismissed, and after further study a case should be redocketed to consider rules changes which may aid in the prevention of the theft of drip, condensate, and other liquid hydrocarbons.

IT IS THEREFORE ORDERED:

That Case No. 2558 is hereby dismissed.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

E. J. McChem

EDWIN L. MECHEM, Chairman

E. J. Walker
E. J. WALKER, Member

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

esr/

GOVERNOR
EDWIN L. MECHEM
CHAIRMAN

State of New Mexico
Oil Conservation Commission

LAND COMMISSIONER
E. S. JOHNNY WALKER
MEMBER



STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

P. O. BOX 871
SANTA FE

June 7, 1962

Mr. Ben Howell
El Paso Natural Gas Company
Box 1492
El Paso, Texas

Re: Case No. 2558
Order No. B-2254
Applicant:

El Paso Natural Gas Co.
(OCC Motion)

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. Porter, Jr.

A. L. PORTER, Jr.
Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC x

Artesia OCC x

Aztec OCC x

OTHER _____

PBM

PROPOSED REVISION OF RULE 314

The Commission, on its own motion and at the request of El Paso Natural Gas Company, proposes to amend its Rule 314 concerning the gathering, transporting and sale of drip by the addition of paragraph (i) to the rule as it presently exists.

Paragraph (i), as proposed, is as follows:

- CCC jurisdiction?*
- (i) Every truck, or other vehicle moving, hauling and transporting drip within the State of New Mexico shall have the name of its owner and number of such truck, or vehicle plainly stenciled on each side thereof and all sellers of drip moved by truck or other vehicle transporting any drip shall make report of movement on Form C-110-A for that purpose, and each and every operator or driver of such truck shall have in his possession a copy of such report signed and certified by the seller of such drip or his agent showing the name of the truck owner, name of driver, truck number, truck license number, number of barrels of drip being transported, total price paid therefor, source from which the drip was obtained, signature of the seller of the drip or his duly authorized agent, name of purchaser, point of delivery and date of purchase. Failure to produce and exhibit such report when so requested by the Commission or its authorized agent shall be prima facie evidence that such drip is being moved, hauled or transported in violation of these rules.
- ?*

The Form C-110-A proposed to be used as prescribed in paragraph (i) is attached.

The Commission intends to consider the proposed rule change and the adoption of the new form at its regular hearing on May 16, 1962, at Hobbs, New Mexico.

1. 110-A required even though transported on same lease? (Pan Am - also area).
2. when is 110-A submitted to the Commission?
ir/ - before or after transportation?
3. Too much paperwork for truck driver.
4. Application to condemnate?

NEW MEXICO OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
DRIP GASOLINE SALE AND PURCHASE REPORT

NAME OF SELLER _____

ADDRESS OF SELLER _____

TYPE OF VEHICLE _____

LICENSE NUMBER OF VEHICLE _____

NUMBER OF VEHICLE _____

NAME AND ADDRESS
OF OWNER OF VEHICLE _____NAME AND ADDRESS
OF DRIVER _____NAME AND ADDRESS
OF PURCHASER _____

SOURCE OF DRIP _____

POINT OF DELIVERY _____

NUMBER OF BARRELS TRANSPORTED _____

TOTAL PRICE PAID _____ DATE OF SALE _____

I hereby certify that on this _____ day of _____,
19____, I have delivered to the above named driver for delivery to the
above named purchaser the quantity of drip gasoline specified herein and
that I have authority to sell the same.

Signature of Seller or Agent

I hereby certify that on this _____ day of _____,
19____, on payment of a valid consideration, I have received from the
above named seller by delivery from the driver and vehicle set out above
the quantity of drip gasoline specified herein.

Signature of Purchaser or Agent

TEXACO
INC.

MAIN OFFICE OGC

PETROLEUM PRODUCTS

1962 MAY 14 AM 8:23
DOMESTIC PRODUCING DEPARTMENT
MIDLAND DIVISION



B. L. FRANCIS, ASSISTANT DIVISION MANAGER

P. O. BOX 8100
MIDLAND, TEXAS

May 11, 1962

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Attn: Mr. A. L. Porter, Jr.

Gentlemen:

Reference is made to Cases No. 2558, 2559, 2560, and 2561 set for hearing on the regular hearing docket to be held in Hobbs, New Mexico, on May 16, 1962. Texaco has reviewed the proposed changes to Rules 314, 112A, 201, 1105, and 111, and we wish to go on record in concurrence with the proposals as submitted. Texaco urges the Commission to approve the above mentioned rules as revised.

Yours very truly,

B L Francis

CRB-MM

PAN AMERICAN PETROLEUM CORPORATION

MAIN OFFICE OCC

OIL AND GAS BUILDING

P. O. BOX 1410

KENNETH J. BARR
DIVISION ENGINEER

1962 MAY 14 AM 8:27

FORT WORTH 1, TEXAS

MAY 11, 1962

File: GHF-208-986.510.1

Subject: Amendment of Statewide Rule 314
Case 2558

Mr. A. L. Porter, Jr.
Secretary-Director
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Dear Sir:

Reference is to Case 2558 on the regular hearing docket for May 16, 1962, which is on the application of the Commission to amend Statewide Rule 314. This is to advise that Pan American Petroleum Corporation concurs in the amendment of Rule 314 as proposed by the Commission.

Yours very truly,

Kenneth J. Barr

A. K. MONTGOMERY
OLIVER SETH
WM. FEDERICI
FRANK ANDREWS
FRED C. HANNAHS
GEORGE A. GRAHAM, JR.

SETH, MONTGOMERY, FEDERICI & ANDREWS
ATTORNEYS AND COUNSELORS AT LAW
301 DON CASPAR AVENUE
SANTA FE, NEW MEXICO

1962 MAY 4

May 3, 1962

J. O. SETH
COUNSEL

POST OFFICE BOX 828
TELEPHONE YU 3-7315

New Mexico Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico

Re: Case No. 2558
El Paso Natural Gas Company

Gentlemen:

This letter will constitute our Entry of Appearance as Attorneys for El Paso Natural Gas Company in the above case. We will be associated with Mr. Ben Howell and Mr. Garrett Whitworth, attorneys for El Paso Natural Gas Company.

Very truly yours,

SETH, MONTGOMERY, FEDERICI & ANDREWS

By



OS:wcl

No. 15-62

DOCKET: REGULAR HEARING - WEDNESDAY - MAY 16, 1962

OIL CONSERVATION COMMISSION - 9 A.M., - HIGH SCHOOL AUDITORIUM - 1300
EAST SCHARBAUER, HOBBS, NEW MEXICO

- ALLOWABLE: (1) Consideration of the oil allowable for June, 1962.
- (2) Consideration of the allowable production of gas for June, 1962, for ten prorated pools in Lea and Eddy Counties, New Mexico, and also presentation of purchaser's nominations for said pools for the six-month period beginning July, 1962; consideration of the allowable production of gas for nine prorated pools in San Juan, Rio Arriba and Sandoval Counties, New Mexico, for June, 1962.

CASE 2558:

Application of the Oil Conservation Commission, on its own motion and at the request of El Paso Natural Gas Company, to amend Rule 314.

It is proposed to amend Rule 314 by the addition of paragraph (i) thereto to further regulate the transportation of drip and to require the reporting of such transportation on Form C-110-A.

CASE 2559:

Application of Gulf Oil Corporation for an amendment of Rule 112-A. Applicant, in the above-styled cause, seeks an amendment of Rule 112-A to delete that portion of said rule which requires that offset operators be notified of the taking of packer-leakage tests. Applicant further proposes that said rule be amended to provide for notification to an offset operator of the taking of such a test where the offset operator has previously requested that such notification be given.

CASE 2560:

In the matter of the hearing called on the motion of the Oil Conservation Commission to consider the revision of Rules 201 and 1105 to eliminate the requirement that offset operators be notified prior to the commencement of well plugging operations.

CASE 2561:

In the matter of the hearing called on the motion of the Oil Conservation Commission to consider revising Rule 111, Deviation Tests and Whipstocking. Applicant, in the above-styled cause, seeks an order revising Rule 111 to read in its entirety as follows:

RULE 111. DEVIATION TESTS AND WHIPSTOCKING

(a) Any well which is drilled or deepened with rotary tools shall be tested at reasonably frequent intervals to determine the deviation from the vertical and a tabulation thereof filed with Form C-105, Well Record. When such deviation averages more than five degrees in any 500-foot interval, no oil or gas shall be sold until it has been established that the bottom of the hole is on the proration unit assigned to the well by means of a deviational and directional survey. In lieu of said survey, the operator may, with specific approval of the Commission, establish the location of the bottom of the hole by filing a notarized tabulation of all deviation tests, assuming the deviation from the vertical and the drift to be in a constant and continuous direction to the nearest boundary of the proration unit.

(b) No well shall be whipstocked and directionally drilled without special permission from the Commission. Permission to whipstock to straighten a crooked hole, to sidetrack junk in the hole, or to control a blow-out may be obtained from the appropriate District Office of the Commission on Commission Form C-102, with copies of said Form C-102 being furnished all offset operators. Permission to whipstock for any other reason will be granted only after notice and hearing. Upon completion of any whipstocked well and prior to producing any oil or gas therefrom, a deviational and directional survey shall be conducted and a report thereof filed with the Commission.

CASE 2562: Southeastern New Mexico nomenclature case calling for an order creating new pools and extending certain existing pools in Eddy, Lea and Roosevelt Counties, New Mexico.

- (a) Create a new oil pool for San Andres production, designated as the CLR-San Andres Pool, and described as:

TOWNSHIP 8 SOUTH, RANGE 34 EAST, NMPM
Section 31: NW/4

- (b) Create a new oil pool for Delaware production, designated as the North Double X-Delaware Pool and described as:

TOWNSHIP 24 SOUTH, RANGE 32 EAST, NMPM
Section 11: SE/4

- (c) Create a new oil pool for Blinebry production, designated as the Oil Center-Blinebry Pool and described as:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM
Section 4: Lots 9, 10, 15 & 16

- (d) Create a new gas pool for Morrow production, designated as the Quail Ridge-Morrow Gas Pool, and described as:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM

Section 21: W/2

Section 28: N/2

- (e) Create a new oil pool for Perno Pennsylvanian production designated as the East Saunders Perno-Pennsylvanian Pool and described as:

TOWNSHIP 14 SOUTH, RANGE 34 EAST, NMPM

Section 17: SW/4

- (f) Create a new oil pool for Drinkard production, designated as the Vacuum-Drinkard Pool and described as:

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM

Section 7: N/2 NW/4

- (g) Extend the Artesia Pool to include therein:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM

Section 34: NW/4

- (h) Extend the Atoka-Pennsylvanian Gas Pool to include:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM

Section 19: E/2

- (i) Extend the Blinbry Gas Pool to include:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM

Section 30: N/2

- (j) Extend the Drinkard Pool to include:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM

Section 19: NE/4 SW/4

Section 30: W/2 NW/4

TOWNSHIP 22 SOUTH, RANGE 38 EAST, NMPM

Section 33: W/2 NW/4

- (k) Extend the Empire-Abo Pool to include:

TOWNSHIP 18 SOUTH, RANGE 27 EAST, NMPM
Section 16: NE/4 SE/4

- (l) Extend the Jalmat Gas Pool to include:

TOWNSHIP 23 SOUTH, RANGE 36 EAST, NMPM
Section 33: E/2 NW/4

- (m) Extend the Justis-Blinebry Pool to include:

TOWNSHIP 26 SOUTH, RANGE 38 EAST, NMPM
Section 6: NW/4

- (n) Extend the North Justis-Blinebry Pool to include:

TOWNSHIP 24 SOUTH, RANGE 37 EAST, NMPM
Section 33: SE/4
Section 36: SW/4

- (o) Extend the North Justis-Devonian Pool to include:

TOWNSHIP 24 SOUTH, RANGE 37 EAST, NMPM
Section 35: SE/4
Section 36: SW/4

- (p) Extend the North Justis-McKee Pool to include:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM
Section 2: SE/4

- (q) Extend the Justis Tubb-Drinkard Pool to include:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM
Section 35: E/2 NE/4

- (r) Extend the Lea-Bone Springs Pool to include:

TOWNSHIP 20 SOUTH, RANGE 34 EAST, NMPM
Section 1: SW/4

- (s) Extend the Loco Hills Pool to include:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM
Section 19: W/2 SE/4

- (t) Extend the Loco Hills-Abo Pool to include:
TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM
Section 21: S/2 NW/4
- (u) Extend the Maljamar-Abo Pool to include:
TOWNSHIP 17 SOUTH, RANGE 32 EAST, NMPM
Section 33: N/2 NE/4
- (v) Extend the Paddock Pool to include:
TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM
Section 30: W/2 NW/4
- (w) Extend the South Paddock Pool to include:
TOWNSHIP 22 SOUTH, RANGE 38 EAST, NMPM
Section 29: E/2 SE/4
- (x) Extend the Pearl-Queen Pool to include:
TOWNSHIP 19 SOUTH, RANGE 35 EAST, NMPM
Section 23: W/2 NE/4
Section 31: SE/4
- (y) Extend the Red Lake Pool to include:
TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 23: W/2 SE/4
- (z) Extend the Saunders-Permo Pennsylvanian Pool to include:
TOWNSHIP 14 SOUTH, RANGE 33 EAST, NMPM
Section 16: NE/4
- (aa) Extend the South Tonto-Yates Pool to include:
TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM
Section 30: NW/4
- (bb) Extend the Tubb Gas Pool to include:
TOWNSHIP 23 SOUTH, RANGE 38 EAST, NMPM
Section 6: N/2 NE/4

-6-

Docket No. 15-62

- (cc) Extend the Turkey Track Pool to include:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM
Section 33: NW/4 NW/4

- (dd) Extend the Vacuum-Abo Pool to include:

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM
Section 6: SW/4

- (ee) Extend the Vacuum-Queen Pool to include:

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM
Section 6: W/2

CASE 2563:

Northwestern New Mexico nomenclature case calling for an order creating new pools and extending certain existing pools in Rio Arriba and San Juan Counties, New Mexico.

- (a) Create a new oil pool for Gallup production, designated as the Lybrook-Gallup Oil Pool and described as:

TOWNSHIP 23 NORTH, RANGE 7 WEST, NMPM
Section 2: S/2
Section 4: SW/4
Section 9: N/2 and SE/4
Section 10: All
Section 11: All
Section 14: N/2 NE/4
Section 15: N/2 NW/4

- (b) Create a new pool classified as an oil pool for Gallup production, designated as the Mesa-Gallup Oil Pool and described as:

TOWNSHIP 32 NORTH, RANGE 18 WEST, NMPM
Section 14: W/2 SE/4
Section 23: NE/4
Section 24: W/2
Section 25: NW/4 NE/4 and NE/4 NW/4

- (c) Extend the Tapacito-Pictured Cliffs Pool, to include:

TOWNSHIP 26 NORTH, RANGE 3 WEST, NMPM
Section 6: SW/4
Section 7: NW/4

-7-

Docket No. 15-62

TOWNSHIP 27 NORTH, RANGE 5 WEST, NMPM

Section 5: NW/4

Section 6: NE/4

- (d) Extend the Puerto Chiquito-Gallup Oil Pool to include:

TOWNSHIP 26 NORTH, RANGE 1 EAST, NMPM

Section 5: NW/4

Section 6: SE/4 NE/4

iqg/

Case
2558

NEW MEXICO PETROLEUM INDUSTRIES COMMITTEE
142 Truman, N. E. - Suite F
Albuquerque, New Mexico

PRODUCER SUBCOMMITTEE ON DRIP GASOLINE MEETING MINUTES

Albuquerque, New Mexico
January 30, 1962

The producer subcommittee appointed to study the problem of theft of drip gasoline met in the NMPIC office at 10:00 A. M., Monday, January 30. Present were:

E. E. Alsop, Chairman	El Paso Natural Gas Co.	Farmington, N.M.
Ray Ely	Cities Service Petrol. Co.	Hobbs, N.M.
John Newkirk	Amerada Petroleum Corp.	Midland, Texas
Tom Curtis	Pan American Petrol. Corp.	Farmington, N.M.
Joe Palmer	NMPIC	Albuquerque, N.M.

Unable to be present because of a previous commitment was Albert Greer, Benson-Montin-Greer, Farmington, New Mexico.

Chairman Alsop called the meeting to order at 10:05 A. M. He opened with a brief discussion of the history and background of the problem of theft of drip gasoline in the San Juan Basin. It was noted that theft of drip was historically common-place in the petroleum industry, but that losses by operators in San Juan County, New Mexico, had become quite large. It was brought out, also, that an attempt to cope with the problem by legislative means was made in the 1961 session of the state assembly, but with limited success.

After some general discussion, it was the consensus of the committee that the theft problem had these aspects: losses are large, and serious from both an operating standpoint and from a revenue-loss point of view of local, state and federal units of government; drip, apparently flowing into the retail market, is having a disturbing effect on an already unstable gasoline market; that the amount of drip stolen points to a well organized ring of thieves; that stolen drip is being moved in tank truck, possibly even transport-size, loads; that it is probable some oil field employees are working collusively with the thieves; that it is believed most thefts take place at night; that the great geographical spread and remoteness of the San Juan Basin area, great number of drip-producing gas wells and number and scope of workers and trucks doing legitimate business in the area complicate the problem; and, finally, that the theft problem is industry-wide, in that producer, transporter, refiner and marketer all have a stake in its solution.

The committee discussed the probable amount of the loss, in terms of quantity and of value. (It was noted here that tabulated loss figures are estimated at only two-thirds of actual loss. This is because most gas wells that produce drip will continue to produce unmeasured amounts after gauging. In short, unless the thief stole drip from a tank immediately after gauging, chances are good that there was more drip in the tank than shown on the previous gauging.)

Alsop estimated that his company's combined loss from stolen drip and motor fuel unsold because of drip-disrupted markets was at least \$150,000 per month. He noted that El Paso Natural Gas Co.'s actual gauged loss was 1,831 barrels in December, 1961. Curtis said Pan American's loss was 68 barrels so far in January, 1962; but that the loss approximated 200 barrels per month throughout 1961. Alsop noted that his company's loss, on federal and Indian lands alone, had been over 14,000 barrels for the first nine months of 1961. (If this drip was used in lieu of motor

Producer Subcommittee on Drip Gasoline Meeting Minutes -- Page 2

fuel, excise tax loss to federal and state governments was over \$24,000 and \$36,000 respectively.)

Chairman Alsop then invited discussion on those agencies and regulatory bodies, state and federal, that might be concerned with the problem. Herein, it was noted that the State Corporation Commission had jurisdiction on regulation of common carriers, but none on private truckers whose vehicles were not for hire. It was thought by the subcommittee that this aspect might bear further investigation. It was noted that the Gasoline Tax Division, Bureau of Revenue, had jurisdiction over illegal use, transporting and storage of drip. And it was noted that the Oil Conservation Commission had jurisdiction over field operations of producers and had the authority to require tenders for all movement of petroleum and products thereof in the field.

Questions about the interest of the federal Internal Revenue Service and the Federal Bureau of Investigation in the matter were answered thus: that the IRS was interested in prosecution for non-payment of excise taxes after a thief had been apprehended; and that the FBI was interested only if it could be proved that it had jurisdiction and that interstate shipment of stolen goods was going on.

Palmer pointed out that Bureau of Revenue attorneys had checked the state statutes relative to both Oil Conservation Commission and Gasoline Tax Division jurisdiction and ease of prosecution over drip thefts. He said their opinion was that the Bureau of Revenue should take leadership in apprehension and prosecution of drip thieves. It was noted here that operators in San Juan County had agreed to pool contributions on the basis of relative production and to hire a man for a year to help in apprehending thieves.

It also was brought out that the Governor had approved Bureau of Revenue hiring of a full-time man to work in San Juan County, under the Gasoline Tax Division, in view of operator willingness to support the expense of an additional man. Thus two men now are working at the job of apprehending thieves. (It was noted here that one man is working on patrol duties in the field, the other undercover checking records, distribution channels for drip and the like. It was further noted that thefts had decreased substantially since the men had gone on the job (several months), though losses were still serious.)

Insofar as field practices under the authority of the Oil Conservation Commission are concerned, it was noted that "buy and sell" operators of drip are not required to maintain extensive records, nor are they subject to other than cursory, if any, cross-checking by the Commission. In short, there is not now any required accounting for specific shipments of drip gasoline on the part of transporters and truckers or refiners. The subcommittee felt that this lack of control on individual loads or shipments made it impossible to account for movement of drip from the producer to the final consumer. (It was noted here that only refiners and natural gasoline plant operators are legitimate buyers under New Mexico law.)

After a great deal of general discussion of the problem, the subcommittee concluded its deliberations with two specific recommendations for NMPIC's Executive Committee:

- 1) That all haulers of liquid hydrocarbons in the San Juan Basin area be required to maintain in their possession, while hauling any load, a trip ticket or sales slip from the seller to the purchaser for that particular load. The trip

Producer Subcommittee on Drip Gasoline Meeting Minutes -- Page 3

ticket or sales slip would show the source, amount and properly identified authorization for that load. The regulation requiring such trip ticket to be a regulation of the New Mexico Oil Conservation Commission or New Mexico Corporation Commission, whichever is most applicable.

2) That the producers' subcommittee recommend that all operators in the San Juan Basin area, in cooperation with law enforcement agencies, adopt a procedure of dyeing their liquid hydrocarbons for identification purposes in order to forestall theft of those hydrocarbons.

There being no further business to discuss, the producer subcommittee adjourned at 12:30 P. M., subject to the call of the Chairman.

Respectfully submitted:

Joseph W. Palmer
Acting Secretary

NMPIC Producer Subcommittee on
Drip Gasoline
E. E. Alsup, Chairman
Ray Ely
John Newkirk
Tom Curtis

BEFORE THE NEW MEXICO OIL CONSERVATION
COMMISSION, HOBBS, NEW MEXICO

IN RE: THE MOTION OF THE NEW MEXICO OIL)
CONSERVATION COMMISSION TO AMEND) CASE NO. 2558
RULE 314)

STATEMENT OF GENERAL PETROLEUM, INC. IN
OPPOSITION TO THE MOTION

General Petroleum, Inc. concurs with the desires and purposes of the parties to the hearing and would support any action which would assure more efficient and legitimate handling of the products to be covered. However, we feel that the revisions proposed would impose an undue hardship on those legitimate operators presently servicing, transporting and selling drip oil, while in no way deterring the illegitimate operator. In our opinion, the essence of the proposed revisions is the witness and certification of fluid acquisition at each and every drip serviced by operators and transporters of drip. We feel that particularly here in the Southeast where many drips are serviced in a single day for relatively small volumes, that such a requirement would make continued service on this basis uneconomical. Further, it is our feeling that the irregularities incident to the handling of this product are a problem of enforcement. We feel that the present rules provide adequate protection for the acquisition and reporting of this product. We would like to refer directly to Rule 314 and in particular to paragraph G thereof:

"Every person transporting drip directly from a gas gathering or transportation system shall keep a record of daily acquisitions from each drip trap authorized to service, which record shall be made available at all reasonable times for inspection by the Commission or its authorized representative."

We feel that this paragraph, if enforced, could provide all of the information desired by Form C-110-A (Proposed) with the exception of a

witness and validation by the seller. The witness by the seller of such acquisitions would place a tremendous burden on the personnel of such seller in that they would be required to be present at all acquisitions. I am sure that the industry would support the Commission's efforts to police these acquisitions and it will require such cooperation from all segments of the industry to insure sufficient numbers to achieve this end.

We would like to recommend that all efforts be made to enforce the present rules and regulations before any new regulations or revisions are attempted, and in this regard, we would respectfully suggest that the Commission could, by memorandum from the Secretary-Director, further amplify the requirements for records and reporting as set out in Rule 314 G so that a field surveillance or inspection could adequately assure the validity and source of the fluid being transported at any one time. Such memorandum could further require that every truck or other vehicle moving, hauling, transporting drip, within the State of New Mexico, have the name of its owner and number of such truck or vehicle plainly stenciled on each side thereof. If it was deemed necessary, the Commission could require and provide a seal, sticker, or other device which could be placed upon all certified vehicles servicing this product.

It is our position that the Commission has adequate power to prescribe the form of this reporting and may require that it be available in the vehicle. However, the other part of the proposed rule would necessitate the presence of the seller or his agent at every drip trap in the state when the acquisitions are made. This, we think, is not feasible and would not accomplish the ends desired.

GENERAL PETROLEUM, INC.

BY

C. M. Reid

C. M. REIDER
President

Case 9558



THEFT OF DRIP GASOLINE IN NEW MEXICO



NEW MEXICO STATUTES 1953 ANNOTATED

40-45-1. Penalty for larceny and receiving stolen goods.--

Any person convicted of the crime of larceny or the crime of feloniously receiving stolen goods or property, shall be punished by imprisonment in the penitentiary for any period not less than one (1) year nor more than ten (10) years if the value of the property stolen, or feloniously received shall exceed fifty dollars (\$50.00); and by imprisonment in the county jail for any period not more than three (3) months, or by fine not exceeding one hundred dollars (\$100), or both such fine and imprisonment in the discretion of the court if the value of the property shall be fifty (\$50.00) or less.

NEW MEXICO STATUTES 1953 ANNOTATED

40-45-2. Grand larceny--Value of property--Documents.--
Every person who shall commit the crime of larceny, by stealing
of the property of another any money, goods or chattels, or
any bank note, bond, promissory note, bill of exchange, or
other bill, order or certificate, or any books of accounts
for or concerning money or goods, due or to become due, or to
be delivered, or any deed of writing, containing a conveyance
of land or other valuable contract in force, or any writ,
process or public record, if the property stolen shall exceed
the value of fifty dollars (\$50.00), shall be punished as pro-
vided in section 40-45-1 New Mexico Statutes, Annotated,
1953 Compilation.

NEW MEXICO STATUTES 1953 ANNOTATED

Article 45

Theft, Larceny and Embezzlement

Section 40-45-14. Buying, receiving and concealing stolen goods.--Every person who shall buy, receive or aid in the concealment of stolen money, goods or property, knowing the same to have been stolen, shall be punished as provided in Section 1529 (40-45-1).

NEW MEXICO STATUTES 1953 ANNOTATED

Article 45

Theft, Larceny and Embezzlement

Section 40-45-16. Proof of conviction of thief not required.--In any prosecution for the offense of buying, receiving or aiding in the concealment of stolen money or other property, known to have been stolen, it shall not be necessary to aver, nor on the trial thereof, to prove that the person who stole such property has been convicted.

NEW MEXICO STATUTES 1953 ANNOTATED

Article 26

Tax on Gasoline and Motor Fuel

Sec. 64-26-1. Definitions.--As used in Chapter 64, Article 26, New Mexico Statutes Annotated, 1953 Compilation, except where other meanings are specifically given:

A. "motor vehicle" means every self-propelled vehicle operated or suitable for operation on the highways; (As amended by Ch. 301, Laws 1959, effective June 13, 1959.) (Comp. 40-055.)

B. "motor fuel" means gasoline or any other inflammable liquid, by whatever name such liquid may be known and sold, the chief use of which is as fuel for the propulsion of motor vehicles, motor boats or aircraft, provided, however, the term "motor fuel" shall not include products specifically prepared and sold for use in turbo prop or jet type engines; (As amended by Ch. 202, Laws 1957; and Ch. 301, Laws 1959, effective June 13, 1959.) (Comp. 40-054.)

C. "distributor" means any person, (including the state and any political subdivision thereof, but not including the United States of America or any of its agencies except to the extent now or hereafter permitted by the constitution and laws thereof):

(1) making the first sale or other disposition in the state of any motor fuel, imported into the state from any other state, territory or foreign country, after the motor fuel shall have been received within the state;

(2) consuming or using in the state of New Mexico any motor fuel so imported, who shall have purchased or otherwise acquired the same before it shall have been received by any other person in this state;

(3) producing, refining, preparing, distilling, manufacturing, blending or compounding motor fuel in the state;

(4) engaged in the business of selling or delivering gasoline or motor fuel in this state from refineries, tank farms, tank cars, receiving tanks, bulk stations or tank wagons in wholesale quantities, not coming within the definition of "distributor" as given above; (As amended by Ch. 301, Laws 1959, effective June 13, 1959.) (Comp. 40-052.)

H. Motor fuel is deemed to be "received" for motor fuel excise tax purposes in the following cases:

(1) motor fuel produced, refined, prepared, distilled, manufactured, blended, compounded, or formed by natural processes commonly known as drip gasoline at any refinery or other place in the state by any person and motor fuel transported from points outside the state by pipeline to a refinery or pipeline terminal tank farm in the state and motor fuel transported by pipeline from a refinery or pipeline terminal tank farm in the state to another refinery or pipeline terminal tank farm in the state shall be deemed to be "received" by such person thereat, when the motor fuel has been loaded at such refinery or other place or at such pipeline terminal tank farm into tank cars or tank wagons or other types of transportation equipment or containers of any kind designed or intended to be removed from such refinery or other place or from such pipeline terminal tank farm otherwise than for delivery or shipment by pipeline to another refinery or

pipeline terminal in the state. When so withdrawn from the refinery or other place or pipeline terminal tank farm the motor fuel shall be deemed to be received by the person who is the owner thereof immediately prior to the time of withdrawal, unless

(a) the motor fuel is withdrawn for shipment or delivery to a distributor, in which case it shall be deemed received by the distributor to whom shipped or delivered, or

(b) the motor fuel is withdrawn for shipment or delivery to a person not licensed as a distributor for the account of a distributor, in which case it shall be deemed received by the distributor for whose account the shipment or delivery is made.

(2) motor fuel imported from any other state, territory or foreign country in a tank car which shall be unloaded in the state shall be deemed to be "received" at the time when and the place where such tank car comes to rest in the state and the interstate or foreign shipment is completed, by the person who is at the time the owner thereof, but not before;

(3) motor fuel imported by any person into the state from any other state, territory, or foreign country, other than by pipeline for storage at pipeline terminals or pipeline tank farms as set forth above, or by tank car, shall be deemed to be "received" in the case of motor fuel imported from a foreign country, at the time when and the place where the shipment comes to rest in the state and the foreign shipment is completed, by the person who at the time is the owner thereof, but not before, and shall be deemed to be "received" in the case of motor fuel imported from another state or territory of the United States, at the time when and the place where the interstate transportation of the motor fuel has been completed within the state, by the

person who at the time is the owner thereof, but not before;

(4) the amount "received" shall be measured by the amount manifested by the shipper, provided, however, that when a correction is made by the shipper either increasing or decreasing the manifested amount the correction shall be made on the manifest;

(5) except as set forth above, the word "received" shall be given its usual and customary meaning; (As amended by Ch. 301, Laws 1959, effective June 13, 1959.) (Comp. 40-057-40-063.)

J. "sale" means any exchange, gift or other disposition and "purchase" shall include any acquisition of ownership; (As amended by Ch. 301, Laws 1959, effective June 13, 1959.) (Comp. 40-065.)

Sec. 64-26-2. Six cents (6¢) per gallon excise tax.-- There is hereby levied and imposed an excise tax of six cents (6¢) per gallon upon the sale, use, or sale and use of all motor fuel sold or used in this state for any purpose; provided, that this tax shall be collected only once upon any particular motor fuel and where the excise tax has been paid in this state upon the sale, a like tax shall not be collected for the use of the same motor fuel, and likewise where the excise tax has been paid in this state upon the use a like tax shall not be collected for the sale of the same motor fuel; Provided further that nothing in this article (New Mexico Compilation of 1941, sections 68-1201 to 1233 as amended (64-26-1 to 64-26-38) shall prohibit any incorporated municipality from assessing and collecting the tax provided for in chapter 159 of the 1931 Session Laws (New Mexico Compilation of 1941, sections 14-3901--14-3908 (14-43-1 to 14-43-8). (Comp. 40-101, 40-104, 40-202, 40-401.)

Sec. 64-26-11. Application for licenses--Contents--Licensing of distributors.--It shall be unlawful for any distributor, wholesale dealer or retail dealer to engage in business within this state as such unless such distributor, wholesale dealer or retail dealer is the holder of an uncanceled license issued by the Bureau of Revenue to engage in such business. To procure such license every distributor, wholesale dealer or retail dealer shall file with the Bureau of Revenue an application, signed by such distributor, wholesale dealer, retail dealer, or his duly authorized agent, and in such form as the Bureau of Revenue may prescribe setting forth in addition to such necessary information as the Bureau of Revenue may require the following:

- (a) The name under which the distributor or dealer will transact business within this state;
- (b) The location, with street address, of its principal office or place of business within this state;
- (c) The name and complete residence address of the owner, or the names and addresses of the partners, if such applicant is a partnership or the names and addresses of the principal officers, if such applicant is a corporation or association; and if such applicant is a corporation or association, organized under the laws of another state, territory or country, it shall also file with such application a certified copy of the certificate of license issued by the New Mexico corporation commission, showing that such corporation or association is authorized to transact business in this state. (Comp. 40-601, 40-603.)

Sec. 64-26-29. Reports--Failure to file--Falsification--

Doing business without license--General penalties.--(a)

It shall be unlawful for any person to refuse or neglect to make any statement, report or return required by the provisions of this act (64-26-1 to 64-26-5, 64-26-11 to 64-26-30), or to knowingly make, aid or assist any other person in making a false statement in a report to the commissioner of revenue or to engage in business in this state as a distributor, whole-sale dealer or retail dealer without being the holder of an uncanceled license, issued in the name of such person, to engage in such business, or to sell, use or sell and use any motor fuel upon which the tax imposed by this act shall not be paid. (Comp. 41-901.)

(c) The violation of any of the provisions of this act which is not already specifically made a felony is hereby made a misdemeanor punishable upon conviction thereof by a fine of not less than one hundred dollars (\$100.00) nor more than one thousand dollars (\$1,000.00) or imprisonment in the county jail for a term of not less than thirty (30) days, nor more than one (1) year, or both such fine and imprisonment. (Comp. 41-901.)

NEW MEXICO STATUTES 1953 ANNOTATED

Article 26

64-26-1.1. Drip gasoline.--It is unlawful for anyone other than a recognized producer, refiner or pipeline company to transport or store gasoline formed by natural processes and commonly known as drip gasoline, without being able to prove that it was purchased from a person duly authorized to sell motor fuel.

Any person violating the provisions of this section shall, upon conviction, be fined not less than twenty-five dollars (\$25.00) nor more than one hundred dollars (\$100.00) or confined in the county jail for a period of not longer than six (6) months, or both, in the discretion of the court.

History: Laws 1959, ch. 301, s 7; 1961, ch. 186, s 1.

Title of Act.

An act relating to gasoline; and amending section 64-26-1.1 New Mexico Statutes Annotated, 1953 Compilation (being Laws 1959, chapter 301, section 7).--Laws 1961, ch. 186.

Amendment.

The 1961 amendment substituted the words "being able to prove that it was purchased from a person duly authorized to sell motor fuel" at the end of the first paragraph for "having in his possession an instrument in writing issued and signed by a person duly authorized to sell motor fuel stating the name and address of the seller, the name and address of the purchaser, the date of the sale, and the amount sold, and the total price paid therefor"; and made minor change in punctuation.

NEW MEXICO STATUTES 1953 ANNOTATED

65-3-19. Rules and Regulations to Effectuate Prohibitions
Against Purchase or Handling of Excess Oil or
Natural Gas - Penalties.

(a) The Commission is specifically authorized and directed to make such rules, regulations and orders, and may provide for such certificates of clearance or tenders, as may be necessary to make effective the prohibitions contained in Section 15. (65-3-18)

(b) Unless and until the Commission provides for certificates of clearance or tenders, or some other method, so that any person may have an opportunity to determine whether any contemplated transaction of sale or purchase or acquisition, or of transportation, refining, processing, or handling in any other way, involves illegal oil or illegal oil product, or illegal gas or illegal gas product, no penalty shall be imposed for the sale or purchase or acquisition, or the transportation, refining, processing, or handling in any other way, of illegal oil or illegal oil product, or illegal gas or illegal gas product, except under circumstances stated in the succeeding provisions of this paragraph. Penalties shall be imposed for the Commission of each transaction prohibited in Section 15, when the person committing the same knows that illegal oil or illegal oil product, or illegal gas or illegal gas product, is involved in such transaction, or when such person could have known or determined such fact by the exercise of reasonable diligence or from facts within his knowledge. However, regardless of lack of actual notice or knowledge, penalties as provided in this act shall apply to any sale or purchase or acquisition, and to the transportation, refining, processing, or handling in any other way, of illegal oil or illegal oil product

or illegal gas or illegal gas product where administrative provisions is made for identifying the character of the commodity as to its legality. It shall likewise be a violation for which penalties shall be imposed for any person to sell or purchase or acquire, or to transport, refine, process, or handle in any way crude petroleum oil or natural gas or any product thereof without complying with the rule, regulation or order of the Commission relating thereto.

NEW MEXICO STATUTES 1953 ANNOTATED

65-3-10. Power of Commission to Prevent Waste and
Protect Correlative Rights

The Commission is hereby empowered, and it is its duty, to prevent the waste prohibited by this Act and to protect correlative rights, as in this Act provided. To that end, the Commission is empowered to make and enforce rules, regulations and orders, and to do whatever may be reasonably necessary to carry out the purposes of this Act, whether or not indicated or specified in any section hereof.

NEW MEXICO STATUTES 1953 ANNOTATED

65-3-11. Enumeration of Powers

Included in the power given to the Commission is the authority to collect data; to make investigations and inspections; to examine properties, leases, papers, books and records; to examine, check, test and gauge oil and gas wells, and tanks, plants, refineries, and all means and modes of transportation and equipment; to hold hearings; to provide for the keeping of records and the making of reports and for the checking of the accuracy thereof; to limit and prorate production of crude petroleum oil or natural gas, or both, as in this act provided; to require either generally or in particular areas certificates of clearance or tenders in connection with the transportation of crude petroleum oil or natural gas or any products thereof, or both such oil and products, or both such natural gas and products.

Apart from any authority, express or implied, elsewhere given to or existing in the Commission by virtue of this act or the statutes of this State, the Commission is hereby authorized to make rules, regulations and orders for the purposes and with respect to the subject matter stated herein, viz:

1. To require dry or abandoned wells to be plugged in such way as to confine the crude petroleum oil, natural gas, or water in the strata in which they are found, and to prevent them from escaping into other strata; the Commission may require a bond of not to exceed Ten Thousand (\$10,000.00) Dollars conditioned for the performance of such regulations.

(2) To prevent crude petroleum oil, natural gas, or water from escaping from strata in which they are found into another stratum or other strata;

(3) To require reports showing locations of all oil or gas wells and for the filing of logs and drilling records or reports;

(4) To prevent the drowning by water of any stratum or part thereof capable of producing oil or gas, or both oil and gas, in paying quantities, and to prevent the premature and irregular encroachment of water, or any other kind of water encroachment which reduces or tends to reduce the total ultimate recovery of crude petroleum oil or gas, or both such oil and gas, from any pool;

(5) To prevent fires;

(6) To prevent "blow-outs" and "caving" in the sense that the conditions indicated by such terms are generally understood in the oil and gas business;

(7) To require wells to be drilled, operated and produced in such manner as to prevent injury to neighboring leases or properties;

(8) To identify the ownership of oil or gas producing leases, properties, wells, tanks, refineries, pipe lines, plants, structures and all transportation equipment and facilities;

(9) To require the operation of wells with efficient gas-oil ratios and to fix such ratios;

(10) To fix the spacing of wells;

(11) To determine whether a particular well or pool is a gas or oil well, or a gas or oil pool, as the case may be, and from time to time to classify and reclassify wells and pools accordingly.

(12) To determine the limits of any pool or pools producing crude petroleum oil or natural gas or both, and from time to time to redetermine such limits;

(13) To regulate the methods and devices employed for storage in this State of oil or natural gas or of any product, including the sub-surface storage of natural gas; or

(14) To permit the injection of natural gas or of any other substance into any pool in this state for the purpose of repressuring, cycling, pressure maintenance or secondary recovery operations.

(15) To regulate the disposition of water produced or used in connection with the drilling for or production of oil or gas, or both, and to direct surface or subsurface disposal of such water in a manner that will afford reasonable protection against contamination of fresh water supplies designated by the state engineer.

NEW MEXICO STATUTES 1953 ANNOTATED

65-3-24. Actions for Violations.--

Whenever it shall appear that any person is violating, or threatening to violate, any statute of this State with respect to the conservation of oil, or gas, or both, or any provision of this act, or any rule, regulation or order made thereunder, the Commission, through the Attorney General, shall bring suit against such person in the county of the residence of the defendant, or in the county of the residence of any defendant if there be more than one defendant, or in the county where the violation is alleged to have occurred, for penalties, if they are applicable, and to restrain such person from continuing such violation or from carrying out the threat of violation. In such suit the Commission may obtain injunctions, prohibitory and mandatory, including temporary restraining orders and temporary injunctions, as the facts may warrant, including when appropriate, an injunction restraining any person from moving or disposing of illegal oil or illegal oil product, or illegal gas or illegal gas product, and any or all such commodities, or funds derived from the sale thereof, may be ordered to be impounded or placed under the control of an agent appointed by the court if, in the judgment of the court, such action is advisable.

NEW MEXICO STATUTES 1953 ANNOTATED

65-3-27. Penalties for Violations - Accessories.--

Any person who, for the purpose of evading this act, or of evading any rule, regulation or order made hereunder, shall knowingly and wilfully make or cause to be made any false entry or statement of fact in any report required to be made by this act or by any rule, regulation or order made hereunder or who, for such purpose, shall make or cause to be made any false entry in any account record or memorandum kept by any person in connection with the provisions of this act or of any rule, regulation or order made thereunder; or who, for such purpose, shall omit to make, or cause to be omitted, full, true and correct entries in such accounts, records or memoranda, of all facts and transactions pertaining to the interest or activities in the petroleum industry of such person as may be required by the Commission under authority given in this act or by any rule, regulation or order made hereunder; or who, for such purpose, shall remove out of the jurisdiction of the state, or who shall mutilate, alter, or by any other means falsify, any book, record, or other paper pertaining to the transactions regulated by this act or by any rule, regulation or order made hereunder; shall be deemed guilty of a felony and shall be subject upon conviction in any court of competent jurisdiction, to a fine of not more than One Thousand (\$1,000.00) Dollars, or imprisonment for a term of not more than three years, or to both such fine and imprisonment.

(b) Any person who knowingly and wilfully violates any provision of this act or any rule, regulation or order of the

Commission made hereunder, shall, in the event a penalty for such violation is not otherwise provided for herein, be subject to a penalty of not to exceed One Thousand (\$1,000.00) Dollars a day for each and every day of such violation, and for each and every act of violation, such penalty to be recovered in a suit in the District Court of the county where the defendant resides, or in the county of the residence of any defendant if there be more than one defendant, or in the District Court of the County where the violation took place. The place of suit shall be selected by the Commission, and such suit, by direction of the Commission, shall be instituted and conducted in the name of the Commission by the Attorney General or under his direction by the district attorney of the county where the suit is instituted. The payment of any penalty as provided for herein shall not have the effect of changing illegal oil or illegal gas into legal oil or legal gas, or illegal oil or illegal gas product into legal oil or legal gas product, nor shall such payment have the effect of authorizing the sale or purchase or acquisition, or the transportation, refining, processing, or handling in any other way, of such illegal oil or illegal gas, or illegal oil or illegal gas product, but to the contrary penalty shall be imposed for each prohibited transaction relating to such illegal oil or illegal gas or illegal oil or illegal gas product.

(c) Any person knowingly and wilfully aiding or abetting any other person in the violation of any statute of this State relating to the conservation of oil and gas, or the violation of any provision of this act, or any rule, regulation or order made thereunder, shall be subject to the same penalties as are prescribed herein for the violation by such other person.

NEW MEXICO STATUTES 1953 ANNOTATED

65-6-10. Gasoline or motor fuel specifications.--Except as hereinafter provided, no person shall sell, offer for sale, or advertise for sale, or possess or store with the intention to sell as gasoline or motor fuel any substance, liquid, or product of petroleum which falls below the standard of gasoline or motor fuel, the minimum requirement of which such standard shall be determined by the following:

A. Distillation range.

- (1) When the thermometer reads 167 degrees Fahrenheit not less than ten per cent (10%) shall be evaporated;
- (2) When the thermometer reads 284 degrees Fahrenheit not less than fifty per cent (50%) shall be evaporated;
- (3) When the thermometer reads 464 degrees Fahrenheit not less than ninety-five per cent (95%) shall be evaporated;
- (4) The residue shall not exceed two per cent (2%);
- (5) Sulphur shall not exceed twenty-five hundredths of one per cent (25%/100%).

B. Motor fuel or gasoline shall be volatile hydrocarbon fuel, free from water and suspended matter and shall be practicable and suitable for use as fuel in internal combustion engines.

NEW MEXICO STATUTES 1953 ANNOTATED

40-45-3.1. Wrongful taking of drip gasoline as grand larceny.--Any person wrongfully extracting or carrying away or concealing or selling or attempting to sell drip gasoline from any pipeline or drip trap in this state, being the property of another, shall be deemed guilty of a felony, and on conviction thereof, shall be punished as for grand larceny.

NEW MEXICO STATUTES 1953 ANNOTATED

40-45-18.1. Purchasers of stolen drip gasoline as accessories to unlawful extraction.--Any person or persons who shall knowingly purchase, or contract to purchase, or make any payment for, or on account of, any drip gasoline which shall have been wrongfully extracted or stolen from any pipeline or drip trap shall be considered an accessory after the fact to the unlawful extraction or stealing of such drip gasoline and upon conviction, shall be subjected to the same punishment to which the principals may be liable.

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NEW MEXICO OIL CONSERVATION COMMISSION

RULE 314. GATHERING, TRANSPORTING AND SALE OF DRIP

(a) "Drip" is defined as any liquid hydrocarbon incidentally accumulating in a gas gathering or transportation system.

(b) The waste of drip is hereby prohibited when it is economically feasible to salvage the same.

(c) The movement and sale of drip is hereby authorized, provided the provisions of this Rule are complied with.

(d) No drip shall be transported nor sold until the gas transporter has filed Commission Form C-110 designating the drip transporter authorized to remove the drip from its gas gathering or transportation system.

(e) Every person transporting drip within the State of New Mexico shall file Commission Form C-112 each month, showing the amount, source, and disposition of all drip handled during the reporting period, and such other reports as may hereafter be required by the Commission.

(f) Prior to commencement of operations, every person transporting drip directly from a gas gathering or transportation system shall file with the Commission plats drawn to scale, locating and identifying each drip trap which he is authorized to service.

(g) Every person transporting drip directly from a gas gathering or transportation system shall keep a record of daily acquisitions from each drip trap which he is authorized to service, which records shall be made available at all reasonable times for inspection by the Commission or its authorized representatives.

(h) Every gas transporter in the State of New Mexico shall, on or before the first day of November of each year, file with the Commission maps of its entire gas gathering and transportation systems within the State of New Mexico, locating and identifying thereon each drip trap in said systems, said maps to be accompanied by a report, on a form prescribed by the Commission, showing the disposition being made of the drip from each of said drip traps.

NEW MEXICO OIL CONSERVATION COMMISSION

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(c) The movement and sale of drip is hereby authorized, provided the provisions of this Rule are complied with.

(d) No drip shall be transported nor sold until the gas transporter has filed Commission Form C-110 designating the drip transporter authorized to remove the drip from its gas gathering or transportation system.

(e) Every person transporting drip within the State of New Mexico shall file Commission Form C-112 each month, showing the amount, source, and disposition of all drip handled during the reporting period, and such other reports as may hereafter be required by the Commission.

(f) Prior to commencement of operations, every person transporting drip directly from a gas gathering or transportation system shall file with the Commission plats drawn to scale, locating and identifying each drip trap which he is authorized to service.

(g) Every person transporting drip directly from a gas gathering or transportation system shall keep a record of daily acquisitions from each drip trap which he is authorized to service, which records shall be made available at all

reasonable times for inspection by the Commission or its authorized representatives.

(h) Every gas transporter in the State of New Mexico shall, on or before the first day of November of each year, file with the Commission maps of its entire gas gathering and transportation systems within the State of New Mexico, locating and identifying thereon each drip trap in said systems, said maps to be accompanied by a report, on a form prescribed by the Commission, showing the disposition being made of the drip from each of said drip traps.

(i) Every truck, or other vehicle moving, hauling and transporting drip within the State of New Mexico shall have the name of its owner and number of such truck, or vehicle plainly stenciled on each side thereof and all sellers of drip moved by truck or other vehicle transporting any drip shall make report of movement on Form C-110A for that purpose, and each and every operator or driver of such truck shall have in his possession a copy of such report signed and certified by the seller of such drip or his agent showing the name of the truck owner, name of driver, truck number, truck license number, number of barrels of drip being transported, total price paid therefor, source from which the drip was obtained, signature of the seller of the drip or his duly authorized agent, name of purchaser, point of delivery and date of purchase. Failure to produce and exhibit such report when so requested by the Commission or its authorized agent shall be prima facie evidence that such drip is being moved, hauled or transported in violation of these rules.

(j) No purchaser shall buy or receive drip as a wholesale purchaser thereof without receiving two (2) completed copies of Commission Form C-110A with such purchase, signed and certified by the seller. Said purchaser shall sign the certificate in the space provided and shall file one (1) copy of said completed Form C-110A with the Commission within 24 hours after the delivery or purchase of said drip and shall retain the other copy which he shall produce and exhibit when so requested by the Commission or its authorized agent. Failure to produce and exhibit such report when so requested by the Commission or its authorized agent shall be prima facie evidence that the drip so purchased is purchased and received in violation of these rules.

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NEW MEXICO OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

DRIP GASOLINE SALE AND PURCHASE REPORT

110-A
FORM C-110A

NAME OF SELLER _____

ADDRESS OF SELLER _____

TYPE OF VEHICLE _____

LICENSE NUMBER OF VEHICLE _____

NUMBER OF VEHICLE _____

NAME AND ADDRESS
OF OWNER OF VEHICLE _____

NAME AND ADDRESS
OF DRIVER _____

NAME AND ADDRESS
OF PURCHASER _____

SOURCE OF DRIP _____

POINT OF DELIVERY _____

NUMBER OF BARRELS TRANSPORTED _____

TOTAL PRICE PAID _____ DATE OF SALE _____

I hereby certify that on this _____ day of _____,
19____, I have delivered to the above named driver for delivery to
the above named purchaser the quantity of drip gasoline specified
herein and that I have authority to sell the same.

Signature of Seller or Agent

I hereby certify that on this _____ day of _____,
19____, on payment of a valid consideration, I have received from
the above named seller by delivery from the driver and vehicle set
out above the quantity of drip gasoline specified herein.

Signature of Purchaser or Agent