

Entered January 13, 1982
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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION COMMISSION ON ITS OWN MOTION TO CONSIDER THE DESIGNATION OF TWO CRUDE PETROLEUM OIL PRODUCING AREAS AND THE AMENDMENT OF THE OIL CONSERVATION DIVISION'S RULES AND REGULATIONS GOVERNING THE ACQUISITION, MOVEMENT, AND DISPOSITION OF CRUDE OIL AND CONDENSATE, SEDIMENT OIL, TANK BOTTOMS AND OTHER MISCELLANEOUS HYDROCARBONS AS WELL AS PRODUCED WATERS.

CASE NO. 7433
Order No. R-6881

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on December 3 and 22, 1981, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 13th day of January, 1982, 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 pursuant to Chapter 257, Laws of 1981, the Anti-Crude Oil Theft Act now contained in Sections 30-16-46 through 30-16-48, NMSA 1978 Compilation, the Oil Conservation Division, hereinafter referred to as the Division, is required to:

- (a) specify documentation to be possessed by persons transporting, by motor vehicle, crude petroleum oil, and any sediment or water or brine produced in association with the production of oil or gas, or both, from or to storage, disposal, processing or refining; and
- (b) designate any geographical area of the State as a crude petroleum oil producing area wherein such documentation, on a reasonable request, must be produced for any State Police Officer or other law enforcement officer.

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(3) That said Act requires that the documentation contain information as to the identity of the operator or owner, the originating lease or facility, the nature and volume of the transported fluids including percentage of crude petroleum oil, and such other information as the Division finds necessary or convenient.

(4) That two crude petroleum oil producing areas consisting of producing counties and nearby counties with potential for production or where stolen oil may be expected to be transported should be designated as follows:

Southeast Crude Petroleum Oil Producing Area
Chaves, DeBaca, Eddy, Lea, and Roosevelt Counties

Northwest Crude Petroleum Oil Producing Area
Cibola, McKinley, Rio Arriba, Sandoval, San Juan, and Valencia Counties

(5) That to facilitate the identification of lease tanks and other facilities from which fluids affected by this order may be moved, appropriate signs should be required.

(6) That owners and operators should be given a reasonable period of time in which to acquire and place identification signs at affected lease tanks and facilities, and six months is a reasonable period of time in which to do so.

(7) That Division Rule 310 should be amended to read in its entirety as shown on Exhibit "A" attached to this order.

(8) That with respect to sediment oil, tank bottoms, other miscellaneous hydrocarbons, and treating plants, the Division's Rules and Regulations should be amended to:

- (a) prohibit tank cleaning and/or sediment oil movement from leases without prior Division approval, to provide for record keeping and reporting of sediment oil volumes moved, proper sampling of sediment oil prior to movement, to provide a definition of miscellaneous hydrocarbons and in like manner, except in emergency, control of its movement and provide for sampling and reporting thereof;
- (b) prohibit the taking by treating plants of sediment oil and, except in emergencies, miscellaneous hydrocarbons without proper documentation, and recognize modern sampling and testing procedures; and

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- (c) clarify permit number information required to be filed on Division Form C-118, Treating Plant Operator's Monthly Report.

(9) That the foregoing changes, additions, prohibitions, and clarifications should be accomplished by adopting proposed amended Division Rules 311, 312, and 1118, respectively, as shown on Exhibit "B" attached to this order.

(10) That in order to effectuate the proposed provisions of said amended Rules 311, 312, and 1118, Division Form C-117-A should be amended to become a Tank Cleaning, Sediment Oil Removal, Transportation of Miscellaneous Hydrocarbons and Disposal Permit, and Division Form C-117-B should be amended to become a Monthly Sediment Oil Disposal Statement, and Division Rule 1117 should be amended to reflect these changes all as shown on Exhibits "C-1", "C-2", and "C-3", respectively, attached to this order.

(11) That with respect to the transportation by motor vehicle of crude oil or liquids which may contain crude oil, lease condensate, sediment oil, or miscellaneous hydrocarbons, a new rule should be adopted requiring possession of documentation which identifies the transporter, identifies the lease or facility from which the liquid was removed including its location, identifies the operator or owner thereof, gives the date of removal of the fluids, and gives a description of the fluid including volume.

(12) That the foregoing requirements should be accomplished by adopting a new Division Rule 804 as shown on Exhibit "D" attached to this order.

(13) That with respect to the transportation by motor vehicle of water produced in conjunction with oil and/or natural gas the Division's Rules and Regulations should:

- (a) provide a definition of such waters and prohibit their movement without Division approval;
- (b) prohibit the disposition of such transported waters in any manner which would constitute a hazard to fresh water supplies; and
- (c) provide a form for authorizing vehicular movement of such waters and an appropriate cover rule.

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(14) That the foregoing requirements should be accomplished by adopting new Division Rules 709, 710, and 1133, respectively, as shown on Exhibit "E" and new Division Form C-133, Authorization to Move Produced Water, as shown on Exhibit "F", both attached to this order.

(15) That Division Rule 1100 D should be amended to reflect the amended titles of the proposed new Form C-117-A and Form C-117-B and the addition of new Form C-133.

(16) That the effective date of the proposed rule amendments, new rules, form amendments and new form contained in this order should be February 1, 1982.

(17) That the proposed rule amendments, new rules, form amendments, and new form contained in this order are necessary to meet the requirements of the aforesaid Anti-Crude Oil Theft Act as well as other statutory authority granted the Division.

(18) That the proposed rule amendments, new rules, form amendments, and new form will not cause waste nor violate correlative rights and should be adopted.

IT IS THEREFORE ORDERED:

(1) That two crude petroleum oil producing areas in New Mexico are hereby designated as follows:

Southeast Crude Petroleum Oil Producing Area
Chaves, DeBaca, Eddy, Lea, and Roosevelt Counties

Northwest Crude Petroleum Oil Producing Area
Cibola, McKinley, Rio Arriba, Sandoval, San Juan, and Valencia Counties

(2) That Rule 310 of the Division's Rules and Regulations is hereby amended to read in its entirety as shown on Exhibit "A" attached to this order.

(3) That Rules 311, 312, and 1118 of the Division's Rules and Regulations are hereby amended to read in their entirety as shown on Exhibit "B" attached to this order.

(4) That Division Form C-117-A and Form C-117-B are hereby amended and adopted as shown on Exhibits "C-1" and "C-2", respectively, attached to this order.

(5) That Rule 1117 of the Division's Rules and Regulations is hereby amended to read in its entirety as shown on Exhibit "C-3" attached to this order.

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(6) That new Division Rule 804 as shown on Exhibit "D" to this order is hereby promulgated.

(7) That new Division Rules 709, 710, and 1133 as shown on Exhibit "E" to this order are hereby promulgated.

(8) That new Division Form C-133, Authorization to Move Produced Water, as shown on Exhibit "F" attached to this order is hereby adopted.

(9) That Rule 1100 D of the Division Rules and Regulations is hereby amended to reflect the new titles of Form C-117-A and Form C-117-B and the addition of new Form C-133 all heretofore referenced.

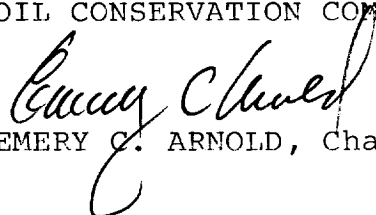
IT IS FURTHER ORDERED:

(1) That the effective date of this order and of all rule amendments, new rules, form amendments, and new form contained herein shall be February 1, 1982.

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


EMERY C. ARNOLD, Chairman

ALEX J. ARMIJO, Member


JOE D. RAMEY, Member & Secretary

S E A L

PULE 310. TANKS, OIL TANKS, FIRE WALLS, AND TANK IDENTIFICATION

Oil shall not be stored or retained in earthen reservoirs, or in open receptacles. Dikes or fire walls shall not be required except such fire walls must be erected and kept around all permanent oil tanks, or battery of tanks that are within the corporate limits of any city, town, or village, or where such tanks are closer than 150 feet to any producing oil or gas well or 500 feet to any highway or inhabited dwelling or closer than 1000 feet to any school or church, or where such tanks are so located as to be deemed an objectionable hazard within the discretion of the Division. Where fire walls are required, fire walls shall form a reservoir having a capacity one-third larger than the capacity of the enclosed tank or tanks.

After August 1, 1982, all oil tanks, tank batteries, automatic custody transfer systems, tanks used for salt water collection or disposal, and tanks used for sediment oil treatment or storage shall be identified by a sign posted on or not more than 50 feet from the tank, tank battery, or system. Such signs shall be of durable construction and the lettering thereon shall be kept in a legible condition and shall be large enough to be legible under normal conditions at a distance of 50 feet and shall identify the name of the operator, the name of the lease(s) being served by the tank(s) or system, if any, and the location of such tank(s) or system by unit letter, section, township, and range.

RULE 311. SEDIMENT OIL, TANK CLEANING, AND TRANSPORTATION OF MISCELLANEOUS HYDROCARBONS

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

(b) No tank shall be cleaned of sediment oil nor shall sediment oil be removed from any lease without prior approval of the appropriate Division district office. Authorization for tank cleaning may be received by the operator of the lease or by the company contracted or otherwise authorized to perform the tank cleaning by obtaining approval on Form C-117-A (Tank Cleaning, Sediment Oil Removal, Transportation Of Miscellaneous Hydrocarbons and Disposal Permit). No operator, contractor, or other party shall engage in the cleaning of any tank of sediment oil or the removal of sediment oil from any lease without an approved copy of Form C-117-A at the site.

(c) No sediment oil shall be destroyed unless and until the appropriate Division district office has approved an application to destroy the same on Form C-117-A (Tank Cleaning, Sediment Oil Removal, Transportation Of Miscellaneous Hydrocarbons and Disposal Permit). Unless the authorization to destroy sediment oil is utilized within ten (10) days after approval of the Form C-117-A such authorization is automatically revoked. However, the District Supervisor may approve one ten (10) day extension for good cause shown.

(d) Any operator, contractor, or party, other than a treating plant operator, who cleans any tank of sediment oil and removes sediment oil from any lease shall file Form C-117-B (Monthly Sediment Oil Disposal Statement) setting out all information required thereon.

(e) A representative sample of sediment oil from any source shall be tested in a manner designed to accurately estimate the percentage of good oil expected to be recovered therefrom. Such test shall be performed prior to transport and prior to commingling with sediment oil from other leases or sources and the results recorded on the appropriate Form C-117-A.

The Division recommends the standard centrifugal test prescribed by API Manual of Petroleum Measurement Standards, Chapter 10, Section 4. Other test procedures may be used if such procedures reliably predict the percentage of good oil to be recovered from sediment oil.

(f) All sediment oil removed from storage shall be reported on Form C-115 (Operator's Monthly Report) together with the Form C-117-A (Tank Cleaning, Sediment Oil Removal, Transportation Of Miscellaneous Hydrocarbons and Disposal Permit) permit number.

(g) "Miscellaneous Hydrocarbons" are defined as tank bottoms occurring at pipeline stations, crude oil storage terminals, or refineries, pipeline break oil, catchings collected in traps, drips, or scrubbers by operators of gasoline plants in such plants or in the gathering lines serving such plants, the catchings collected in private, community, or commercial salt water disposal systems, or any other liquid hydrocarbon which is not lease crude or condensate.

(h) Except in case of emergency, no miscellaneous hydrocarbons shall be delivered to a treating plant or other facility until Division approval is obtained on Form C-117-A (Tank Cleaning, Sediment Oil Removal, Transportation Of Miscellaneous Hydrocarbons and Disposal Permit).

Whenever an emergency exists which requires delivery of miscellaneous hydrocarbons to a treating plant or other facilities prior to approval of Form C-117-A, the transporter of such hydrocarbons shall notify the supervisor of the appropriate Division district office of the nature and extent of such emergency on the first working day following the emergency and shall file Form C-117-A within two working days following the emergency. For prolonged emergencies, the district supervisor may authorize the extended movement of miscellaneous hydrocarbons to a treating plant or other facilities during the period of the emergency and shall approve a Form C-117-A filed subsequent to the conclusion of such emergency covering the entire volume of miscellaneous hydrocarbons transported.

RULE 312. TREATING PLANTS

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

(a) Prior to the construction of a treating plant, a written application shall be filed for a treating plant permit stating in detail the location and type and capacity of the plant contemplated. The Division will set such application for hearing to determine whether the proposed plant and method of processing will efficiently process, treat, and reclaim sediment oil. Before beginning actual operations, any permittee shall file with the Division a performance bond in the amount of \$10,000, conditioned upon substantial compliance with applicable statutes of the State of New Mexico and all rules, regulations, and orders of the Oil Conservation Division of New Mexico.

(b) Such permit shall entitle the treating plant operator to an approved Form C-104, Request for Allowable and Authorization to Transport Oil and Natural Gas, for the total amount of products secured from sediment oils and miscellaneous hydrocarbons processed by the operator. All permits shall be revocable, after notice and hearing, upon showing of good cause.

(c) No treating plant operator may accept sediment oil at or into the treating facility unless the same is accompanied by an approved Form C-117-A (Tank Cleaning, Sediment Oil Removal, Transportation Of Miscellaneous Hydrocarbons and Disposal Permit).

(d) Except as provided under Rule 311(h), no treating plant operator may accept tank bottoms from pipeline stations, crude oil storage terminals or refineries, pipeline break oil or other miscellaneous hydrocarbons for processing or mixing with recovered pipeline oil unless the same is accompanied by an approved Form C-117-A.

(e) All treating plant operators shall file a monthly report which shall detail the net oil recovered and sold during the preceding month. See Rule 1118.

The operator of each lease from which sediment oil is removed for reclamation shall be promptly notified by the treating plant operator of the amount of pipeline oil recovered therefrom. In the event sediment oil from two or more separate leases is to be commingled prior to treating, the treating plant operator shall determine the amount of pipeline oil attributable to each lease by testing a representative sample of the sediment oil from said lease in accordance with the standard centrifugal test prescribed by the API Manual of Petroleum Measurement Standards, Chapter 10, Section 4. Other test procedures may be used if such procedures reliably predict the percentage of good oil to be recovered from sediment oil.

RULE 1118. TREATING PLANT OPERATOR'S MONTHLY REPORT (Form C-118)

Form C-118 shall be submitted in DUPLICATE to the appropriate District Office of the Division in accordance with Rule 312, and shall contain all the information required thereon. Column 1 of Sheet 1-A of Form C118 entitled "Permit Number," has reference to the Tank Cleaning, Sediment Oil Removal, Transportation Of Miscellaneous Hydrocarbons and Disposal Permit, Form C-117-A, for each lot of oil picked up for processing.

OIL CONSERVATION DIVISION
P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-117 A
Revised 2-1-82

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TANK CLEANING, SEDIMENT OIL REMOVAL, TRANSPORTATION
OF MISCELLANEOUS HYDROCARBONS AND DISPOSAL PERMIT

PERMIT NUMBER _____

(Operator or Owner) _____ (Address) _____

(Lease Name if Sediment Oil) _____ (Location - UL Sec. Twp. Rge.) _____

OPERATION TO BE PERFORMED:

☐ Tank Cleaning ☐ Sediment Oil Removal ☐ Transportation of Miscellaneous Hydrocarbons

Operator or Owner Representative authorizing work _____

Date Work to be Performed _____

TANK CLEANING DATA

Tank Number _____ Volume _____

Tank Type _____ Volume Below Load Line _____

SEDIMENT OIL OR MISCELLANEOUS HYDROCARBON DATA

Sediment Oil From: ☐ Pit ☐ Cellar ☐ Other*

Miscellaneous Oil

Tank Bottoms From: ☐ Pipeline Station ☐ Crude Terminal ☐ Refinery ☐ Other*

Catchings From: ☐ Gasoline Plant ☐ Gathering Lines ☐ Salt Water Disposal System
☐ Other*

Pipeline Break Oil or Spill ☐

*Other (Explain) _____

VOLUME AND DESTINATION

Estimated Volume _____ Bbls. Field test volume of good oil _____ Bbls.

[Not required prior to Division approval.]

Destination (Name and Location of treating plant or other facility) _____

DESTRUCTION OF SEDIMENT OIL

Destruction by: ☐ Burning ☐ Pit Disposal ☐ Use on Roads or Firewalls ☐ Other
(Explain) _____

Location of Destruction _____

Justification of Destruction _____

APPLICATION MAY BE MADE BY EITHER OF THE FOLLOWING:

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

Owner _____ Transporter _____

By _____ By _____

Title _____ Title _____

Date _____ Date _____

NEW MEXICO OIL CONSERVATION COMMISSION

Approved By _____ Title _____ Date _____

A COPY OF THIS FORM MUST BE ON LOCATION DURING TANK CLEANING, REMOVAL OF SEDIMENT OIL OR MISCELLANEOUS HYDROCARBONS, AND MUST BE PRESENTED WITH TANK BOTTOMS, SEDIMENT OIL, MISCELLANEOUS HYDROCARBONS AT THE TREATING PLANT TO WHICH IT IS DELIVERED.

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MONTHLY SEDIMENT OIL DISPOSAL STATEMENT

Company Name		MONTH	YEAR
Tank or Pit Cleaning Permit No.	Date of Cleaning	Volume Sediment Oil Recovered	Disposal method or Name and location of Reclamation Plant to which Sediment Oil was Delivered

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

To be completed monthly by any operator, contractor, or party other than a treating plant operator which cleans any tank sediment oil and removes such oil from a lease.

By _____
Title _____
Date _____

Distribution: Original to Santa Fe, carbon copy to district office.
EXHIBIT "C-2"
Order No. R-6881

RULE 1117. TANK CLEANING, SEDIMENT OIL REMOVAL, TRANSPORTATION
OF MISCELLANEOUS HYDROCARBONS AND DISPOSAL PERMIT
(Form C-117-A), AND MONTHLY SEDIMENT OIL DISPOSAL
STATEMENT (Form C-117-B)

(a) Form C-117-A, Tank Cleaning, Sediment Oil Removal, Transportation Of Miscellaneous Hydrocarbons and Disposal Permit, shall be submitted to the appropriate District Office of the Division in QUINTUPLICATE and in accordance with Rule 311 (b), (c), and (h).

(b) Form C-117-B, Monthly Sediment Oil Disposal Statement, shall be submitted both to the Santa Fe office and the appropriate District Office(s) of the Division in accordance with Rule 311 (d).

RULE 804. DOCUMENTATION REQUIRED

A. All off-lease transportation of crude oil or lease condensate by motor vehicle shall be pursuant to an approved Form C-104 and shall be accompanied by a run ticket or equivalent document. The documentation shall identify the name and address of the transporter, the name of the operator and of the lease or facility from which the oil was taken, the date of removal, the API gravity of the oil, the observed percentage of BS and W, the volume of oil or opening and closing tank gauges or meter readings, and the signature of the driver. The document shall provide space for recording of the lease number and for signature of the operator or his representative.

After August 1, 1982, all such transportation must be accompanied by documentation sufficient to verify the location of the tanks or facility from which the liquid was removed. The location may be shown on the run ticket or equivalent document or may be carried separately.

B. All off-lease transportation of liquids which may contain crude oil, lease condensate, sediment oil, or miscellaneous hydrocarbons shall be accompanied by a run ticket, work order, or equivalent document, i.e., Form C-117-A. The documentation shall identify the name and address of the transporter, the name of the operator and of the lease or facility from which the liquid was removed, the nature of the liquid removed including the observed percentage of liquid hydrocarbons, the volume or estimated volume of liquids, and the destination.

After August 1, 1982, all such transportation must be accompanied by documentation sufficient to verify the location of the tanks or facility from which the liquid was removed. The location may be shown on the run ticket or equivalent document or may be carried separately.

C. The documentation required under A. and B. above shall be carried in the vehicle during transportation and shall be produced for examination and inspection by any employee of the Division, any State Police officer, or any other law enforcement officer upon identification and request.

Except where the owner and the transporter are the same, one copy of such documentation shall be left at the facility from which the oil or other liquids were removed.

RULE 709. REMOVAL OF PRODUCED WATER FROM LEASES AND FIELD FACILITIES

(a) "Produced Water" is defined as those waters produced in conjunction with the production of crude oil and/or natural gas and commonly collected at field storage or disposal facilities including: lease tanks, commingled tank batteries, burn pits, LACT units, and community or lease salt water disposal systems.

(b) Transportation of any produced water by motor vehicle from any lease, central tank battery, or other facility, without an approved Form C-133 (Authorization to Move Produced Water) is prohibited.

(c) Authorization to transport produced water may be obtained by filing three copies of Form C-133 with the Director of the Division in Santa Fe.

(d) No owner or operator shall permit produced water to be removed from its leases or field facilities by motor vehicle except by a person possessing an approved Form C-133.

RULE 710. DISPOSITION OF TRANSPORTED PRODUCED WATER

(a) No person transporting produced water may dispose of such water on the surface of the ground, or in any pit, pond, lake, depression, draw, streambed, or arroyo, or in any watercourse, or in any other place or in any manner which will constitute a hazard to any fresh water supplies.

Delivery of produced water to approved salt water disposal facilities, secondary recovery or pressure maintenance injection facilities, or to a drillsite for use in drilling fluid will not be construed as constituting a hazard to fresh water supplies provided the produced waters are placed in tanks or other impermeable storage at such facilities.

(b) The supervisor of the appropriate district office of the Division may grant temporary exceptions to paragraph (a) above for emergency situations, for use of produced water in road construction or maintenance or for use of produced waters for other construction purposes upon request and a proper showing by a holder of an approved Form C-133 (Authorization to Move Produced Water).

(c) Vehicular movement or disposition of produced water in any manner contrary to these rules shall be considered cause, after notice and hearing, for cancellation of Form C-133.

RULE 1133. AUTHORIZATION TO MOVE PRODUCED WATER

Each person who is a transporter of produced water shall obtain approval of Form C-133, Authorization to Move Produced Water, in accordance with Rule 709 (c) prior to any such transportation.

Approval of a single Form C-133 is valid for all leases served by such transporter.

AUTHORIZATION TO MOVE PRODUCED WATER

Transporter Name _____

Address _____ Office Location (If different) _____

Phone Number(s) _____

State Corporation Commission Permit No. _____

NOTE: It is the responsibility of each holder of an approved Form C-133 to familiarize its personnel with the content of Division Rules 709 and 710 and to assure operations in compliance therewith. Failure to move and dispose of produced water in accordance with Division Rules 709 and 710 are cause for cancellation of Form C-133 and the authority to move produced water.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

Signed _____ Title _____

Date _____

(This space for State Use)

Approved by _____ Title _____

Date _____

EXHIBIT "F"
Order No. R-6881