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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 12,033

APPLICATION OF PUBLIC SERVICE COMPANY OF)
NEW MEXICO FOR REVIEW OF OIL CONSERVATION)
DIVISION DIRECTIVE DATED MARCH 13, 1998,)
DIRECTING APPLICANT TO PERFORM ADDITIONAL)
REMEDICATION FOR HYDROCARBON CONTAMINATION,)
SAN JUAN COUNTY, NEW MEXICO)

NEW MEXICO OIL CONSERVATION DIVISION

REBUTTAL TESTIMONY OF

WILLIAM C. OLSON

July 30, 1999

99 JUN 30 PM 1:05

OIL CONSERVATION DIV.

OCD Exhibit B

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2 Q. Some statements were made by Toni Ristau, one of PNM's
3 witnesses, in her direct testimony regarding New
4 Mexico Oil Conservation Commission (OCC) Order R-
5 7940C. Are you familiar with OCC Order R-7940C?

6 A. Yes. I was originally hired by the Division in 1986
7 to work on the San Juan Basin "Vulnerable Areas" and
8 conducted the Division field studies which were the
9 basis of OCC Order R-7940C. I prepared the Division's
10 proposed special rules and regulations for the
11 disposal of oil and gas wastes in the "Vulnerable
12 Area" which were subsequently adopted by the OCC. I
13 also provided the Division testimony before the OCC on
14 the Division's studies and proposed rules.

15 Q. On pages 8 and 9 of Ms. Ristau's direct testimony she
16 states that the requirements for ceasing discharge and
17 closure of unlined pits in OCC Order R-7940C only
18 apply to producers or operators of oil and gas wells.

19 Do you agree with this interpretation?

20 A. No. The Division's proposed special rules and
21 regulations for the disposal of oil and gas wastes in
22 the "Vulnerable Area" were not developed nor intended
23 to apply only to producers or operators of oil and gas
24 wells. The final rules adopted in OCC Order R-7940C
25 reflect that this is not the intent of these rules.

26 The attached OCD Exhibit 1 is a copy of OCC Order R-

1
2 7940C. Exhibit A of Order R-7940C contains "SPECIAL
3 RULES AND REGULATIONS FOR THE DISPOSAL OF OIL AND
4 NATURAL GAS WASTES IN THE VULNERABLE AREA IN SAN JUAN,
5 MCKINLEY, RIO ARRIBA AND SANDOVAL COUNTIES, NEW
6 MEXICO". Rule 1 (Applicability) of Exhibit A states
7 that "These rules shall apply to the disposal of **all**
8 oil and natural gas wastes generated within the
9 Vulnerable Area whether such wastes are disposed of
10 within or without said area". Oil and natural gas
11 wastes as defined in Exhibit A, Rule 2.(c) "shall mean
12 those wastes produced in conjunction with the
13 production, refining, processing and transportation of
14 crude oil and/or natural gas and commonly collected at
15 field storage, processing or disposal facilities, and
16 waste collected at gas processing plants, refineries
17 and other processing or transportation facilities".
18 As you can see, these rules are applicable to a wide
19 range of parties which actually discharge wastes and
20 are not limited to the operators or producers of oil
21 and gas wells.

22 Q. Does OCC Order R-7940C contain any limitations or
23 exceptions elsewhere in the order which states that
24 the rules apply only to the producers or operators of
25 oil and gas wells?
26

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2 A. No. Order R-7940-C specifically applies to the party
3 that owns and operates the equipment that discharges
4 the wastes and the pit to which it is disposed.

5 Q. Regarding the testimony of PNM witness Maureen Gannon,
6 on page 46 of Ms. Gannon's direct testimony she stated
7 that PNM had received no response from the Division on
8 PNM's November 12, 1998 closure report for the Hampton
9 4M dehydration unit. Could you explain the reasons
10 for the Division's lack of response to the closure
11 report.

12 A. The Division received PNM's closure report on November
13 13, 1998. This was 6 days before the Division
14 Examiner Hearing which was held for the purpose of
15 considering PNM's protest of the Division's directive
16 to perform additional remediation at the site. The
17 issues raised in the closure report were a matter of
18 dispute and were the subject of the upcoming hearing,
19 so the Division believed that the appropriate forum
20 for resolution of the dispute was the Division
21 Examiner Hearing which was held on November 19, 1998.

22 Q. Does this conclude your testimony?

23 A. Yes.

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing:

OCD Rebuttal Testimony of William C. Olson

was mailed July 30, 1999 by regular delivery, U.S. Mail, to:

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