

BEFORE THE
OIL CONSERVATION COMMISSION

Santa Fe, New Mexico

Case No. 11143 Exhibit No. 2
11516

Submitted by OCG

Hearing Date 5/11/95

(as of 3-1-91)

RULE 312. - TREATING PLANTS

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

(1) Prior to the construction of a treating plant, application in the form of an affidavit for treating plant permit shall be filed in DUPLICATE with the Santa Fe Office of the Division and one copy to the appropriate district office. Such application shall be accompanied by:

- (a) a plat showing the location of the plant in relation to governmental surveys (section, township and range) and to highways or roads giving access to the plant site;
- (b) a description of the plant, type and process of treatment and design capacity;
- (c) a diagrammatic plan of plant layout including location of water wells, pits, dikes, dwellings, fences and cattle-guards within 1/4 mile of the site;
- (d) a description of containment dikes and pits, if any, with detailed information on construction and lining;

(Note: any pits, lined pits or below grade tanks used at the site must meet Division requirements for ground water protection);

- (e) a demonstration that any unmerchantable solids or liquids resulting from operation of the facility will be disposed of at a Division approved site;
- (f) a demonstration that the notice requirements of Paragraph ??? (2) of this rule have been met.

(2) The applicant shall give written notice to the owners of the surface of the plant site and an area within one-half (1/2) mile. The applicant shall also give notice of his application by advertisement in a paper of general circulation published in the county in which the treating plant is to be located. Both the written notice and published notice shall state the name of the plant operator, the nature of the proposed operation, the design capacity, and that any person seeking to oppose such application must file a protest with the Division within 20 days of the date of the notice.

(3) Before commencing construction all treating plants shall have a surety or cash bond in the amount of \$25,000, in a form approved by the Division, conditioned upon compliance with statutes of the State of New Mexico and rules of the Division, and satisfactory clean-up of site upon cessation of operation, in accordance with Part (12) ??? of this Rule. If a bond has been secured for a commercial surface waste disposal facility permit at the location, that bond shall be sufficient for the treating plant portion of the facility, providing they are contiguous. If an adequate bond is posted by the applicant with a federal or state agency and the bond otherwise fulfills the requirements of this rule, the Division may consider the bond as satisfying the requirement of this rule. The applicant must notify the Division of any material change affecting the bond filed for the site and must, in any case, report the status of their bond annually to the Division;

(4) The Director of the Division may issue a treating plant permit upon a finding that a complete and proper application has been filed and that no party has objected within 20 days following submittal of the application.

(5) The permit shall be consistent with the application and appropriate requirements of Division rules and The Oil and Gas Act.

(6) The Director of the Division may set any application for a treating plant permit for public hearing.

(7) 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 and are transferable only upon written approval of the Division Director.

(8) 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).

(9) 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.

(10) 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.

(11) 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.

(12) To protect migratory birds, all tanks exceeding 16 feet in diameter, and exposed pits and ponds shall be screened, netted or covered. Upon written application by the operator, an exception to screening, netting or covering of a facility may be granted by the district supervisor upon a showing that an alternative method will protect migratory birds or that the facility is not hazardous to migratory birds.

(13) Upon cessation of treating plant operations for 6 consecutive months, the operator will complete clean-up and restoration of the facility site within 6 months, unless an extension of time is granted by the Director of the Division. Such clean-up shall be in accordance with a plan acceptable to the Division Director and may include removal or demolition of buildings, removal of all tanks, vessels, equipment or hardware, containment and removal of fluids and chemicals, back-filling and grading of pits, removal of contaminated soil, and reclamation of the general plant site area. Prior to release of the bond covering the plant, a representative of the Division will inspect the site to determine that restoration is adequate.

(14) The Director of the Division may suspend any treating plant permit when it appears that such suspension is necessary to prevent waste, to protect fresh water, or to assure compliance with Division rules or orders.

**RULE 313. - EMULSION, BASIC SEDIMENTS,
AND TANK BOTTOMS**

(as of 3-1-91)

Wells producing oil shall be operated in such a manner as will reduce as much as practicable the formation of emulsion and basic sediments. These substances and tank bottoms shall not be allowed to pollute fresh waters or cause surface damage. If tank bottoms are removed to surface pits, the pits shall be fenced and the fence shall be kept in good repair. To protect migratory birds, all tanks exceeding 16 feet in diameter, and exposed pits and ponds shall be screened, netted or covered. Upon written application by the operator, an exception to screening, netting or covering of a facility may be granted by the district supervisor upon a showing that an alternative method will protect migratory birds or that the facility is not hazardous to migratory birds.