

BEFORE THE  
**Oil Conservation Commission**  
SANTA FE, NEW MEXICO  
January 13, 1955

IN THE MATTER OF:

CASE NO. 779 - Regular Hearing

TRANSCRIPT OF PROCEEDINGS

**ADA DEARNLEY AND ASSOCIATES**  
COURT REPORTERS  
ROOMS 105, 106, 107 EL CORTEZ BUILDING  
TELEPHONE 7-9546  
ALBUQUERQUE, NEW MEXICO

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
January 13, 1955

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IN THE MATTER OF:

Application of the Commission upon its own  
motion for revision of Rule 312 of its Rules  
and Regulations to promulgate supplementary  
and additional rules governing the acquisi-  
tion, transportation and sale of drip gasoline  
and trap oil.

Case No. 779

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BEFORE:

Honorable John Simms, Jr.  
Mr. E. S. (Johnny) Walker  
Mr. William B. Macey

TRANSCRIPT OF HEARING

MR. MACEY: The next case on the docket is Case 779. Does anyone have any testimony to present in Case 779?

MR. AINSWORTH: I have a statement that I would like to read into the record at the appropriate time.

MR. MACEY: Mr. Girand, do you want to make a statement?

MR. GIRAND: I want to make one statement into the record. My name is W. D. Girand, <sup>Representing Famriss</sup> Crude Oil Purchasing Corporation.

While we have submitted to the Commission a proposed rule or amendment to the rule covering the drip gasoline and scrubber oil, we did that as a service to the Commission. We want the record to be clear that we have no interest whatever in the rule. It does not apply to any of our operations, it is immaterial whether the Commission acts on it or does not act. We did what we did from the

we call reclamation plants.

We feel that the reporting forms as submitted are adequate, and would meet all the tests that are necessary for the Commission to be apprised from time to time of the operation of each permittee. It is our belief that after having talked with some of the representatives of the gas pipeline people, that in all probability we need to have two rules, one covering the pit oil, creek oil, washing oil and such waste, and one to cover just strictly the drip gasoline.

With that in mind I might say this, I thought the Commission was going to pass out copies or have mimeographed, or distribute copies of the proposed amendment. I learned on arrival here that had not been done. I will read what is proposed here if the Commission desires.

MR. MACEY: Go ahead.

MR. GIRAND: Referring to Rule 312, Treating Plant, and Sub-section C, the rule as now in operation was only changed to the following extent in that paragraph. After pit oil, on the second line, was added "scrubber oil", and in the third line, after transporter, we added "to an authorized purchaser". Then the words after C-110 were added, "provided, however, before any person other than the owner shall pick up, re-claim salvage or transport", and after the words "or transport" were added words, "washing oil, creek oil, pit oil or scrubber oil, a permit to do so shall be obtained from the owner or operator of the lease, pipeline or refinery." Now, "pipeline or refinery" was added. "A permit from the duly authorized agent of the Commission. A purchaser or transporter desiring to obtain a permit to perform the services under sub-section (c) of this Rule shall" --and all the rest of the rule is new-- "file with the

Commission a surety bond of performance, satisfactory to the Commission, payable to the Commission of the State of New Mexico in the penal amount of \$25,000.00. The purpose of that requirement of that rule was to more or less establish the reliability of the operator or the transporter or purchaser.

2. "A written application for a permit to transport shall be filed, and a public hearing had thereon. All applications to show: (a) the name and location of the lease, trap or pit; (b) the number of well or wells from which the oil or drip was produced, or the source of such oil or drip." -- That is one of the items that the gas company, pipeline companies say they will not be able to comply with.

"(c) The name of the owner, operator or the manager of the lease, pipeline or refinery.

(d) Contracts of purchase, if any."

3. "All permittees will be required to establish permanent storage facilities in the area called for in the permit and give the location there of such facilities to serve the area covered by the permit."

4. "All permittees will be required to furnish the following evidence, to-wit: (a) run ticket showing acquisition; (b) an accumulation report showing storage; (c) C-110; (d) monthly reports.

After granting of the permit, in the event the permittee is found guilty of violation of any of the rules of the Rules or Regulations of the Oil Conservation Commission, or any of the laws of the State of New Mexico, in regard to the production, sale and transportation of oil or drip gasoline, said permit shall be subject

to cancellation without hearing.

The Commission may suspend any permittee upon presentation of evidence upon violation of the Rules and Regulations of the Commission, provided, however, that such suspension shall be temporary until the charges against the permittee be made known to the permittee, and a hearing before the Commission must be granted the permittee within 20 days after the notification of the charges made, and should the Commission determine that the charges are well founded, the Commission may then enter its order cancelling the permit."

The proposed forms that were attached to the memorandum that I gave to the Commission did not include the C-110. However, the forms that were submitted are such forms as are presently being used by the Famariss Crude Oil Purchasing Company which operates a reclamation plant in Lea County. They are the reporting forms which we are now using to report to the Commission the operation of that plant. Does the Commission have any question?

MR. MACEY: Mr. Girand, as I understand it, if the man had a treating plant under which he had obtained a permit to serve a certain area, you specify that the application shall show the leases that he is going to pick up the particular oil?

MR. GIRAND: Yes.

MR. MACEY: If he desires to extend his operation to include a new area or a new lease two months after he has gotten his permit, he has to have an application, he has to get permission from this Commission, after hearing, to go out and pick up the oil?

MR. GIRAND: I think once the individual has qualified as

a permittee, that he should be able to supplement his operations or extend them without further hearing. The qualifications, the bond should cover any and all operations within any area and not be limited to the area covered by his initial application. It might be well to provide for that in the rule.

MR. MACEY: I notice that in your proposal you only refer to washing oil, creek oil, pit oil, scrubber oil, and don't make any reference to any type of drip gasoline or oil that might be obtained from drips. The only place you refer on a person desiring to purchase or transport drip oil or drip gasoline is in the second portion of your proposal, and also in the last paragraph.

MR. GIRAND: The first paragraph there, or the first sentence is similar to the original first sentence in the old rule. Drip gasoline has not been referred to in it at all, no, sir.

MR. MACEY: Anyone have any questions of Mr. Girand?

MR. HINKLE: If the Commission please, Clarence Hinkle, representing Humble Oil and Refining Company. The Humble would like to go on record as favoring the adoption of the rule which would govern and cause an accurate accounting of the acquisition, transportation and sale of drip gasoline and drip oil. However, this rule which has been proposed has not been distributed to those present and I think they should have an opportunity to study it. For that reason I would like to move that the case be continued until next month with the understanding that copies of the proposed rule be circulated with the next docket so as to give an opportunity to all those interested to study it before it is adopted at the next hearing.

MR. GIRAND: Mr. Hinkle, will you hold up on your motion

for just a moment? I think I will join with you, but Mr. Howell has some suggestion in regard to the rule as it would effect the pipeline carrier and it was our thought that maybe in the interim between now and the next meeting, maybe industrywise, an order could be formulated that might be better. I am sure it could be better.

MR. MACEY: Mr. Howell?

MR. HOWELL: Mr. Macey, we would like to put on a little evidence as background as to what the problem is. Then I think we would be perfectly willing to join in a motion for continuance, after that. We are prepared to put on some brief evidence.

MR. MACEY: I might say that we can distribute the proposal of Mr. Girand with the next docket, all except the run ticket, which I think everyone is familiar with. We can duplicate the rest of this information and distribute it if you would like to have it. We didn't have time to do it before the last mailing. Do you move for continuance?

MR. GIRAND: Mr. Howell wants to put on some evidence.

MR. MACEY: Do you want to put it on today?

MR. HOWELL: Yes, we also have some rough suggestions that we would like to put into the hopper so they can be considered in the interim.

MR. PORTER: Just one question of Mr. Girand. I notice here that you are proposing central storage for the collection of this drip. Once that drip is on -- collected, and the transporter wishes to take that to a refinery or its destination, then it would be necessary for him to file a C-110 for a specific number of barrels of drip.

MR. GIRAND: That was the intention, as I understand it,

Mr. Porter.

MR. PORTER: That is all.

MR. MACEY: Mr. Howell?

J. W. B A L C H ,

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

DIRECT EXAMINATION

By MR. HOWELL:

Q Will you state your name for the record?

A J. W. Balch.

Q What position do you hold with El Paso Natural Gas Company?

A I am the supervisor of the Gas Production Department and the Gas Dispatching Department.

Q In Lea County?

A For the Permian Division.

Q For the Permian Division. Approximately how many drips are there in the New Mexico portion of the Permian Division on your gathering system and the transmission lines to the Company?

A Well, right in the Southeastern New Mexico or Lea County, we have 1155 miles of gathering system which includes both low pressure and high pressure lines. On the high pressure system we have approximately 350 drips, on the low pressure line approximately 150 drips.

Q Do you have any other drips at the location of your plants?

A That is right, on the inlet of each of our plants that we have high pressure gas coming into, we have large drips at the inlet of each of the plants.

Q Now, then, what is the nature of the liquid that is

collected in the drips at the various places? Just what is it that you find there?

A Well, generally speaking, all the liquid caught in these drips is primarily casinghead gasoline with some incidental oil and water.

Q In most instances does that drip require processing before it constitutes a marketable or usable product?

A I would say that in all cases it does.

Q Can you determine the well or wells from which drip, in any one place, accumulated?

A In a few isolated cases we might, but in most cases it will be hard to do because we will have a trunk-line, we will have a drip on the trunk-line, then on our laterals feeding into the trunk-line we might have one drip or two drips on that with somewhere, anywhere from two to 15 wells coming in on lateral with a drip or maybe two drips on them.

Q Insofar as the trunk-line is concerned, any drip there, to try to determine the well or leases from which that drip was produced, would be just like saying which tooth of a buzz saw cut you, wouldn't it?

A That is right.

Q So, insofar as drip gasoline is concerned, would you recommend that there be no requirement that the lease or wells from which that drip was produced be furnished?

A I would, yes.

Q What basic principles do you think should be followed in the rules? Would you advocate that there be a portion of the rule designed to cover the drip gasoline problem and another portion to

cover the surface oil, waste oil, pit oil and that type?

A Yes, I would.

Q Would a rule which required a transporter, any transporter, other than the owner of the line, to obtain a permit and establish to the satisfaction of the Commission his responsibility in general be satisfactory?

A I think it would.

Q You think it would be workable?

A I believe it would be.

Q Would you have any objection to the bond provision which was suggested by Mr. Famariss?

A No.

Q Do you think that after obtaining the permit that reports should be filed by the transporter showing the Commission the quantities that were transported?

A Yes, I do.

Q The point of origin, how would you identify the point of origin as a practical matter on the gatherings in the El Paso Natural Gas Company's system?

A Well, that would be rather hard to do, but you could determine the location of the drip and, like on the inlet to our plants, that is where we get the largest recovery of casinghead gasoline, on the big drips into our plants, though, could be very easily identified as to the location.

Q Do you think it would be reasonable identification just to show that it came off the company's gathering system?

A I think that would be all that is necessary.

Q What is the difference between the relative volumes pro-

duced in the summer and winter?

A Naturally in the wintertime we gather a considerable more amount than we do in the summertime. Due to a lower atmospheric, you get a greater recovery of liquid in the wintertime than you do in the summertime.

Q The company's system in the San Juan Basin has similar drips on it?

A Yes.

Q Are you familiar with the details up there?

A I am not too familiar with the operations there, but I understand there is something like 1100 wells connected up there and I would say that there would be a great deal of recovery of liquids in San Juan Basin that would be in our system in Lea County.

Q Would this rather general simple rule that we have recommended work in both the San Juan and Lea County, in your opinion?

A I think it would.

MR. HOWELL: We have here some copies of a rule that is suggested, and I will frankly admit it is rather rough in its form. We would like to reserve the right, we will just leave them up here if anyone wants to get them. That is in the form of a rough suggestion and is made applicable to the transportation or marketing of drip gasoline obtained from the pipeline. We would like to reserve the right to make such improvements and would welcome suggestion from anybody else as to improvements. That is all the testimony we have.

MR. MACEY: Any questions of Mr. Balch?

MR. STANLEY: I would like to ask Mr. Balch a few questions.

CROSS EXAMINATION

By MR. STANLEY:

Q How many plants does El Paso Natural Gas have in Lea County?

A You mean --

Q (Interrupting) Gasoline plants?

A Gasoline plants, we have three right now.

Q How many barrels of liquid, that includes oil, drip gasoline and water do you recover on the average, per month, per year, from the total of the four plants?

A At the four plants?

Q Yes.

A I am sorry, I can't answer that, Mr. Stanley.

Q Do you have any idea at all how much liquid you recover?

A You mean at the gasoline plants?

Q Yes.

A You mean through extraction purposes, or at the drips on the inlet to the gasoline plants?

Q Let's include all the drips, scrubber oil and all incidental oil that comes into the lines in conjunction with the gas.

MR. MACEY: Prior to processing.

Q Prior to processing.

A I can't answer that, Mr. Stanley, because we have a regular department, gasoline department that takes care of that. I am not in a position to answer it. I will say this, on the high pressure gas that we gather in the field, this is strictly a rough estimate, nothing else. I would estimate that we recover something like two gallons per million cubic feet of gas. That is in the summertime. In the wintertime I would say that would increase up to, close to

50 gallons per day, that is in our drips.

Q In the meantime, during the operation and during normal oil field practices, in the event that a separator valve gets stuck you may recover some incidental oil with the gas?

A That is right, that is where we picked up the incidental oil.

Q Usually that occurs more in the wintertime than in the summertime?

A That is right.

MR. STANLEY: I would like to make a statement that I feel like Ben Howell, that any liquid that is recovered by any gasoline plant can not be accounted for due to the fact that you do not know the source of that particular oil. It is impossible to forecast the fact that any separator may be stuck, or on any particular lease. Nevertheless, if any appreciable amounts of liquid, including hydrocarbons and not water is recovered, I feel that should be sold without accounting for it in raw dealers, and not burned.

MR. MACEY: Does anyone have a question of the witness?

By MR. MACEY: Mr. Balch, with the great number of drips that you have on your present high pressure and low pressure system, you undoubtedly are forced to dispose of a lot of liquids that it is not commercial for anyone to go out and pick up, I realize that drip gasoline is more or less of a headache to you.

A That is right.

Q Let's assume that on your high pressure line you had a number of drips and it was commercially feasible for somebody to go out and pick up the drip gasoline, whether it be two gallons per drip or two barrels per drip. How big are the drips anyway?

A Generally speaking they will hold approximately five barrels.

Q Do you have your own facilities to go out and pick it up, or do you go out and pick it up?

A No, we blow it in pits out to the ground.

Q Do you know of anybody that would be interested in going out and going down your right of way, periodically, and cleaning out the drips?

A Oh, yes.

Q There are lots of people interested?

A That is right.

Q The reason I brought that up is, I personally think that any incentive which we should create for someone to go out and pick up drip gasoline might be a little bit burdensome for a man to get a \$25,000.00 bond to go out and pick up drip gasoline if he just had a tank truck, if his sole permit was to pick up drip gasoline and not any incidental oil or anything else.

A Well, now, I might add that in our low pressure lines, we will catch more oil in our low pressure line, Mr. Macey, than we will in our high pressure line. Very little casinghead gasoline would I think that we would catch there. Of course, we blow that out into pits also.

MR. MACEY: Sure. Anyone else have a question of Mr. Balch?

A That is something, Mr. Macey, that has been a headache in the gas gathering system in both high and low pressure gas gathering systems for a long time. It is just a headache. Lots of time drip gasoline is stolen from the drips and many times there is an explosion and a damage suit when they get -- They can sue you

if they are stealing stuff from your drip and get hurt off it, even if they knock a lock off to do it. We buy a lot of people that way. After you have been in the business for awhile it is more of a headache than the average man realizes. It is a nuisance in most cases. Now, some people get rich off what comes through the lines, but I know a lot of companies that don't. I think it needs a good deal of study. I would be glad to give any experience we have with it in our plants in New Mexico.

Mr. Macey, I might add, along your question in the San Juan area, we do gather the drip up there and dispose of it.

MR. MACEY: As a company?

A Yes. In Lea County we already have an agreement with Mr. George Erblocher to gather the drip gasoline there. All he is waiting on is whatever action the Commission might take on this. That is my understanding on that.

MR. MACEY: My only thought on the matter was to possibly be governed by what is done in some of these other States. I realize that it is nothing but a class A headache to the gas transportation companies, but we don't like to see the stuff burned, we like to see it picked up, and, at the same time, we like to have some accurate accounting of it.

A The way it is now, most of it is disposed of, but there is no accurate accounting.

MR. MACEY: Are you familiar with the method they follow in the State of Texas?

A No, I am not.

MR. MACEY: I would be very interested in knowing exactly what the Texas Railroad Commission does in regard to authorizing

the movement of incidental liquids. If possible, I would like someone, maybe we ought to do it ourselves, but I think someone that is familiar with it in the operation of their plant and their line, probably their viewpoint would be it might be an undue hardship to put the same thing in effect in New Mexico that are in Texas.

MR. GIRAND: Mr. Macey, I might state this, that the same requirements are more or less involved now in the reclamation plant. We haven't found them cumbersome or burdensome on the operators of those plants. We realize you are going to have to have someone that is capable of making intelligent reports to the Commission, and being financially able to maintain an office personnel that can do it. If you are going to properly handle the thing you can't have one truck operation. It is going to take office personnel as well as a truck driver. We would like to move that the matter be continued until the December hearing.

MR. STANLEY: Mr. Macey, I signed <sup>Form C-</sup> 110's pertaining to Atlantic Refining Company that operates a plant in Dentonville, and the Gulf Oil Corporation which operates a plant in the vicinity of Eunice. Every month those two plants dispose of quite a bit of incoming oil. It may be that El Paso, Skelly, or any other plant does not receive the same appreciable amount of oil that these two plants receive. Nevertheless, I feel that if there is an appreciable amount of oil incoming to those plants that it should be sold.

MR. MACEY: You mean saved?

MR. STANLEY: Or saved.

MR. MACEY: I don't know whether I have said this before, but the question, Mr. Kitts just brought it up and reminded me of

the fact that the drip gasoline is an incidental product, incidental gas product, just like butane, propane or casinghead gas is. I am not too sure that if we get into the business of authorizing the movement of drip gasoline incidental to natural gas production, that we are going to end up authorizing movements of everything under the sun, which we don't want to do. There is a jurisdictional question involved in this thing, too. We have had a motion for continuance to December. Is there objection? If not we will continue the case to December and we will distribute both the rough copy of El Paso's suggestion and Mr. Girand's rough copy. We will continue the case, therefore, until the regular hearing in December.

STATE OF NEW MEXICO )  
 )  
 ) SS.  
 COUNTY OF BERNALILLO )

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 20th day of November, 1954.

  
 Notary Public, Court Reporter

My Commission Expires:  
 June 19, 1955