BEFORE THE
OIL CONSERVATION COMMISSION
FARMINGTON, NEW MEXICO

IN THE MATTER OF:

CASE 1522

TRANSCRIPT OF HEARING

OCTOBER 15, 1958

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BEFORE THE
OIL CONSERVATION COMMISSION
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IN THE MATTER OF:

CASE 1522 Application of Lea County Drip Company, Inc. for the revision of certain of the Commission Statewide Rules and Regulations and for the revision of certain of the Commission forms. Applicant, in the above-styled cause, seeks an order to revise Rules 311, 312, 1116, and 1117 of the Commission Rules and Regulations, to replace the present Commission Form C-117 with two forms to be designated as C-117-A and C-117-B, and to revise Commission Form C-118.

BEFORE:
Mr. A. L. Porter
Mr. Murray Morgan

T R A N S C R I P T O F P R O C E E D I N G S

MR. PORTER: We will proceed to Case 1522.

MR. COOLEY: Case 1522. Application of Lea County Drip Company, Inc. for the revision of certain of the Commission Statewide Rules and Regulations and for the revision of certain of the Commission forms.

MR. PORTER: Does anyone else wish to make an appearance in Case 1522 at this time? We will call for appearances in this case.

MR. SETH: We would like to enter an appearance for El Paso Natural.

MR. BRATTON: I am Howard Bratton, appearing for Humble Oil and Refining Company.

MR. KASTLER: I am Bill Kastler, appearing for Gulf Oil Corporation. I will have a statement to make at the end.

MR. MOORE: I am J. A. Moore appearing for Continental Oil, and I have a statement.

MR. CHRISTIE: I am R.S.Christie, Amerada Petroleum. I may want to make a statement.

MR. PORTER: Any other appearances in this case?

MR. JOHNSTON: I am Paul Johnston with Gackle Oil Company. I also may have a statement to make.

MR. PORTER: Anyone else desire to present testimony, with the exception of the applicant?

(Witness sworn)

C. M. RIEDER,

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

DIRECT EXAMINATION

BY MR. REESE:

Q Your name is Charles Rieder, and you are the President of Lea County Drip Company, Incorporated, --

A That is correct, sir.

Q -- the applicant in this case?

A Yes, sir.

Q The Company has applied for amendment of Rule 311. Will you state to the Commission the proposed amendment and the difference between it and the existing Rule 311?

A Yes, sir. I believe copies of our proposed changes are available, and I hope everybody has a copy of it. We propose to modify 311, as written, to this extent: First, to define the product with which we are dealing. The waste oils which we propose to discuss and consider hereunder extend over and beyond the mere title or definition of tank bottoms as such. They occur and are presently being destroyed, and in some cases utilization is in various forms and means. Tank bottoms, of course, is one, and probably one of the major; pit oil is another. The source of this pit oil is in the main, tank bottoms, but the accumulation is pit, and we have included in Paragraph (a), in the definition, to include all such accumulations of oil that is presently being destroyed and not reaching to commercial channels, and the definition is as follows:

> "'Waste oil' is defined as any unmerchantable liquid hydrocarbon accumulating on an oil and gas lease incidental to normal oil field operations, such as tank bottoms and accumulations in pits, cellars, and sumps."

These accumulations can be many and varied.

We made a further recitation under Paragraph (b) of our proposed Rule 311, and the recitation is similar to recitations which appear throughout the Rules and Regulations, and also in the statute.

> "The destruction of waste oil is prohibited when it is economically feasible to reclaim the same. No waste oil shall be destroyed, by burning or otherwise, unless and until the Commission has approved an application to destroy the same on Form C-117-A revised."

The purpose is to make possible destruction, when necessary. As we interpret the present Rules and Regulations and the statute,

the destruction is questionable, as to whether there is authority to do the same. We feel that by clearly stating it here, the destruction is possible when it is impossible to economically salvage any of these oils, and those situations do and will arise. We have provided a means which we hope will be simple and direct whereby the operator, any particular operator, desiring to eliminate the hazard of a pit, being unable to make any arrangement to salvage the same, would make application to destroy.

Paragraph (c) of our proposed rule change for Rule 311 is merely a procedural statement as to the means and method by which this may be acquired.

> "When waste oil is to be removed from lease for reclamation, the person removing such oil shall obtain a permit (Form C-117-B) proposed, from the appropriate District Office prior to removal from the lease. Any merchantable oil recovered from such waste oil shall not be chargeable against the allowable of the originating lease. The provisions of the foregoing paragraph do not apply when the waste oil is reclaimed on the lease where it originates and is disposed of through the authorized transporter for the lease as shown on Form C-110."

The purpose of this is primarily to provide a means by which application for the removal of such oils can be made and to provide a means for their recovery.

The last Paragraph is included, although it is in itself evidence that any operator reclaiming on his own lease has a right to run it through his own connections as a part of his own operations.

Paragraph (d) merely restates an old action which has been repeatedly taken throughout the industry wherein such oils have been

put to beneficial use by being put on tank grades and roads in various leases, and it's simply a statement making clear that these uses are not eliminated or cut out of the Rule.

And it states as follows:

> "(d) The provisions of this rule do not apply when waste oil is put to beneficial use on the originating lease for purposes of oiling lease roads, fire wells, tank grades, or any other similar purpose."

The purpose there is to make clear that it is not necessary for the operator to make any application or file any notices as long as he is using it on his own lease.

MR. REESE: Does the Commission desire to discuss this Rule by Rule or the total amendments for cross examination?

MR. PORTER: The Commission feels that it be beneficial to take this Rule by Rule with any explanation the witness cares to state and also at the appropriate time to explain the recommended form.

Q (By Mr. Reese) All right. Mr. Rieder, do you feel that the amendments to the Rules are in line with the objectives and the purposes of the Oil Conservation Commission of New Mexico?

A Yes, sir, I do. I believe that this Rule is exactly in line with those objectives; and that it would eliminate the waste of a potential source of oil which is now being destroyed.

Q Now, in the second paragraph of the application, the Company has asked for amendment of Rule 312 dealing with treating plants. Will you explain the difference in the amendment and the

existing Rule 312?

A Yes, sir. In essence, -- and I will not read this because every one probably can read this themselves -- all we have done under our proposed revision is to eliminate what we felt was in some cases repetitive terminology, and set it down in as simply a termed statement as we felt we could, keeping in line with the existing Rule and changing only those things which we felt were not and are not applicable.

We also propose a revision in the bonding. At present, Rule 312 requires that a treating plant operator furnish a performance bond in the amount of $25,000.00. We feel that this is an excessive amount of bonding when compared with the other bonds required by the Commission. A multi-well drilling bond costs but $10,000.00, and we felt that a treating plant could do certainly no more damage than three or four drilling wells, and we feel a $10,000.00 bond is much more realistic and much more in line with the guarantees in valves that such bonding would desire to have covered.

We have also eliminated any question as to the need of proof of necessity for such treating plants. In other words, a certificate being granted upon proof of necessity. We feel that this is a limiting proviso which could adversely affect competition and would be unfair. We feel that there should be no certificate of necessity. In essence, I believe that summarizes our changes.

With reference to Paragraph (b) it provides for a specific manner of reporting these acquisitions. We feel that this reporting

is of primary importance to provide all parties with the guarantees of legalization of acquisition, legalization of the sale from such plants. We have provided in this Rule that Commission Form C-118, proposed, should be adopted and submitted to the Commission on or before each 25th day of each calendar month, and this month shown on it. As will be seen in Form C-118, it contains various amounts of information, all of which will tend to support the acquisitions and the sale of such treating plant.

Q I note that Paragraph C of Rule 312 existing has been depleted. Will you explain why that provision in connection with wash-in oil and creek oil no longer appears in Rule 312?

A Well, sir, I think -- we felt that Paragraph (c) was an unnecessary restatement of what we feel is covered by definition of waste oil. In other words, wash-in oil or creek oil, if you should find it any more, is all covered by the definition in 311, and all of the actions that can be performed with it, whether destruction or salvage, has been defined and clarified in 311. We felt that to put it in 312 would be unnecessary.

Q You are speaking of the proposed amended Rule 311-A?

A Yes, sir.

Q And it is your position that that will cover everything that is covered in Paragraph (c) of Rule 312 now existing?

A Yes, sir.

Q Does the Lea County Drip Company have a permit to operate a treating plant now?

A Yes, we have a permit for two treating plants.

Q Will you explain the amendment of Rule 1116 shown in Paragraph 3, together with the supporting form attached?

A Yes, sir. Rule 1116, as we propose it to read, would cover and deal with waste oil disposition permits, or Form C-117-A. It also deals with C-117-B in Paragraph (b).

Dealing first with the C-117-A, this form would provide the operators with a form and a means by which they may make application to eliminate a hazardous situation, such as a full pit, also anything that you might conceive in which destruction was necessary, and it merely provides that the operator shall state the lease, the location, the type of the waste oil that is involved and estimated amount, and the reason we stated it in that fashion is, with the exception of oil contained within tanks, that it is extremely difficult, if not impossible, to make any kind of an accurate statement as to the volumes involved. However, it is possible to make an estimated volume, and should the oil be in tanks, why it would be a far more accurate estimate. The form we have tried to keep relatively simple so that it will require as little effort as possible and still provide the Commission and the operator with the information that they need. This form would be executed by the operator and approved by the Commission.

Paragraph (b) of Rule 1116 deals with the C-117-B proposed. This is a Waste Oil Recovery Permit. This permit is to cover any acquisition or recoveries of waste oil in any fashion or kind. The

permit would state the name of the operator, the name of his lease, the lease location, the type of waste oil involved, and estimated gross volume, and estimated for the same reason again, and the disposition to be made of this oil by the transporter. We feel that is of primary importance. In other words, the movement of such oil must be controlled and must be known before the Commission can grant any permission to move the same. This form would be made out by the individual acquiring the oil. It would be necessary for the individual making the acquisition to prepare and submit the form. The form would then be approved by the Commission. Now, we've made provision for a number to be inserted on the permit, and each individual permit to bear an individual permit number, thereby giving greater control of the permits and the fluids that would be recovered. I believe that's, in essence, what's covered in 1116.

Q Will you explain the proposed changes in Rule 1117 including the supporting form?

A Our proposed changes in Rule 1117 deal with the proposed Form C-118 revised. C-1118 would be a Treating Plant Operator's Monthly Report, and this report would deal and cover the treating plant operators, and this report would contain the name, location of the treating plant, of course, and then it would be broken down into the oil recovered, the oil received, the permit number, the lease and the location. We feel that this provides all of the pertinent information which should be on the form to allow the Commission or any other individual to properly investigate any of the move-

ments involved. This is considerably different than the present C-118. We do not feel that the present form would be adequate for the information required. C-118, if you will notice, is divided into Sheet 1, and Sheet 1-A, and the reason for that is that we felt that Sheet 1 should be primarily a summary sheet and should merely contain summary information on a month's operation. We feel that summary information should then be broken down on Sheet 1-A as to each individual and permit number. And the form Sheel 1-A -- C-118 1-A provides for that. It could be broken down by permit number, operator, lease description the gross amount of waste oil brought into the plant, and the net amount of oil recovered.

Q As I understand your testimony, then, from the forms proposed, the source of the oil will be identified, it will be traced then through the ultimate sale --

A That is correct.

Q -- as to each individual acquisition of waste oil, is that correct?

A That is correct. Prior to any movement, the source and location would be identified to the Commission; following the acquisition under Form C-117, a complete report would be made available at the end of the operating month showing by permit number by individual acquisition, you might say, exactly what the breakdown on that recovery was.

Q Do you feel that the proposed amendments are all in line with the statutory purposes of the Oil Commission?

A Yes, sir.

Q Do you have anything else to offer to the Commission at this time?

A I don't believe so.

MR. REESE: That's all we have.

MR. PORTER: Does that conclude your testimony?

MR. REESE: Yes, sir.

MR. PORTER: Mr. Cooley has a question, I believe.

CROSS EXAMINATION

BY MR. COOLEY:

Q Mr. Rieder, are all of your proposed changes in both Rules and Forms set forth in your application exactly as you propose them?

A Yes, sir. I would like to say that we appreciate that the Commission was good enough to print these forms for distribution.

MR. COOLEY: That's all the questions I have.

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

MR. HOWELL: Ben Howell representing El Paso Natural Gas.

QUESTIONS BY MR. HOWELL:

Q Mr. Rieder, these Rules are not intended to apply to the liquid hydrocarbons that would be collected in drips along the gas lines, are they?

A No, sir, that is presently covered by 314, I believe.

Q Well, I believe -- would you have any objection to ex-

cluding that from the Rule specifically, specifically excluding it?

A I would have no objection at all because that is not considered hereunder at all.

MR. HOWELL: Thank you.

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

QUESTIONS BY MR. NUTTER:

Q Mr. Rider, your definition of waste oil in 311-A, does this apply to liquid hydrocarbons accumulating in a tank regardless of whether or not the operator is treating those tank bottoms on his lease?

A Would you repeat that? I don't understand.

Q Does your definition of waste oil apply to the liquid hydrocarbons that are accumulated in a tank on a lease regardless of whether the operator is treating those tank bottoms or not himself?

A I would think so. I may misunderstand what you mean. In other words, tank bottoms, to me, mean that accumulation which is going to accumulate naturally below the pipeline connection and up to a point at which the pipeline will turn that tank down. In other words, these things are going to accumulate up to a point, and when this point is reached, depending on the pipeline facilities that they are connected to, it will be turned down at whatever the pipeline requirements are. Now, there is hardly -- there is not too many plants in which treating is not going on more or less irregularly.

Most tanks are treated several times during the year.

MR. REESE: Mr. Rieder, perhaps Mr. Nutter is referring to Paragraph 2 of 311-C.

A Well now, it wouldn't provide -- if they desired to recover it themselves, is that what you mean, Mr. Nutter?

Q (By Mr. Nutter) I just wondered. The way I interpret this, an operator is not allowed to destroy waste oil without a permit?

A That's correct.

Q And you have defined waste oil as being an accumulation of liquid hydrocarbons in a tank. Now, if the operator has a heater treater on his lease and is treating that oil and makes a merchantable product out of everything that can be salvaged, would he have to have a permit to destroy the sump that is left?

A He probably would not have a very great deal left, depending on the quality of his treat. In other words, theoretically, a hundred percent treat would leave no bottoms that would be hydrocarbon bottoms.

Q Well, I've seen -- in tank bottoms that I have seen, this sludge and asphaltic material accumulate in the bottom of the treated tanks. I wonder if he has to have a permit to destroy that.

A I will be quite frank. We hadn't considered these heavy waxes due to the fact that there isn't a great deal of heavy waxes in New Mexico that we have run through, such as microcrystalline wax and your heavier asphalt. I am not aware of it, if there is a great

accumulation of it. Primarily, these accumulations would if they have a hydrocarbon recovery to them, if there is a recovery to be made, that's what we are talking about. In other words, if they have a hydrocarbon.

Q In other words, you are aiming this more specifically at only the liquids in a tank that would have a hydrocarbon recovery?

A We will have to take all the inerts with it as well, in cleaning the tanks, as a part of the service, that just goes with it. There will be inerts such as sand and iron sulfides, various contaminants such as that for which there is no market, no matter how much treating you do.

Q In your experience, have you noticed that there seems to be any maximum volume percentagewise of the total production that could be classified as waste oil? I mean, would the waste oil be one percent or five percent of the total production, or have you ever observed any percentage?

A I have never observed any percentage of that sort. I think it would vary from well to well and from lease to lease. I don't think you could get any percentage that would be accurate.

Q Vary from pool to pool, too, wouldn't it?

A I think from well to well. Even the well itself will vary, these buildups become more accentuated.

Q You don't think it would be possible to limit this amount of waste oil to any specific percentage?

A I wouldn't know how, sir.

Q Now, your proposed Rule 312, Mr. Rieder, --

A Yes, sir.

Q -- as I understand it, the present Rule grants this treating plant permit for a period of one year. Is your proposal such that once a treating plant operator secures a permit, that it is good indefinitely?

A That's our intention, sir, for this reason. At any time, as provided by Paragraph (c) of our revision, that a permit or a permitee comes under violation, the Commission has the right to suspend that permit by hearing and notice, and should it be a flagrant violation, I think the Commission would have sufficient injunctive powers to hold or prevent the operator from continuing operation until the hearing could be held. It seems to me an unnecessary burden to have annual hearings on a matter that will probably more or less be approved and go on and perpetuate itself so long as the operator conducts his business in a business-like fashion. We felt that the repetitive hearings are an unnecessary expense.

Q Well now, does 312-B, there where it says,

> "Such permit shall entitle the treating plant operator to an approved Certificate of Compliance and Authorization to Transport Oil, Commission Form C-110, for the total amount of products secured from waste oils processed by the operator. All treating plant operators shall, on or before the 25th day of each calendar month, file at the appropriate District Office, a monthly report on Commission Form C-118, which report shall support the Commission Form C-110 for the net oil recovered and sold during the preceding month."

Would he just receive one form of C-110 when he first starts in business and then he has an authority to operate from there on out?

A I think that would be adequate. The only purpose -- actually there is probably -- well, the main purpose is to satisfy the pipeline companies that there is an authorization for the movement and to satisfy the marketing people that will be taking this oil, that is the main purpose of the C-110. There is a question as to whether it is absolutely necessary. We, frankly, are not certain that it would be necessary to have a C-110 to sell it, but we feel that by including the C-110, that you eliminate any question of the possibility of sales to any marketing agent.

Q And all the oil that the treating plant operator would transport or market would all come under that Form C-110?

A Yes, sir, so long as he didn't diversify or split his sale. And, of course, --

Q Well now, would a Form C-117-B be issued for each and every batch of oil the treating plant operator collected?

A Well, inasmuch as these batches, so to speak, are going to be coming in in tank trucks, it is possible that you might have two tanks trucks loads per permit, and I would think that the easiest and most functional use of it would be for the permit to cover a specific location and a specific type of acquisition. In other words, if, for instance, if tanks were to be cleaned, it is possible that there might be one or two tanks, if it were a large battery, there might be two tanks that would be cleaned at one time. I see

no reason why both tanks could not be done under one permit.

Q Do you think that on the estimated gross volume that appears on this form, it would be possible to pick up more than the estimated gross volume?

A I think your estimated gross figure is going to be quite an approximation. As I said before, if it is not inside steel tankage with some sort of a reasonable strapping, I don't know how you are going to estimate the volume very accurately, but I would think in order to not confuse the issue, that possibly that estimated gross should be your top, although I don't see that it makes a great deal of difference. As we see it, the main control must be at your treating plant. In other words, by the revision of these Rules, it is not going to necessarily follow that we or the other two treating plant operators are going to pick up all of the oil in Lea County, for instance. In other words, we will not be making all of the acquisitions, none of the three of us will.

Q I was wondering, there is a cross check, I believe, from the Form C-118 Sheet 1-A where you have the gross volume of waste?

A That's right.

Q That would describe the amount that was picked up, is that correct?

A That's correct, the way we see it, the main control and the only control that you really can exercise with any real accuracy is on the fluid coming into your treating plants because at that point you can measure by meter and tank. In other words, you are

not relying on some estimate of a pit or estimate of a tank fill in which you might have, say, a transport and you might estimate what you put in the tank of the transport. Now, that might be accurate and it might not. We feel that at the incoming side of your treating plant, there is the point where you should get an accurate volume figure to the total amount of the waste oil acquired.

Q In other words, the gross volume of waste oil acquired as reported in Sheet 1-A of Form C-118 would not necessarily jive with the estimated gross volume as reported on Form C-117-B?

A That's correct. It would not jive because one would be an estimate and one would be an accurate figure.

MR. NUTTER: I believe that's all.

QUESTIONS BY MR. COOLEY:

Q Mr. Rieder, I note in Paragraph (c) of your proposed Rule 311, that there is a substantial change from the existing Rule in that under your proposal any merchantable oil recovered from such waste oil shall not be chargeable against the allowable of the originating lease --

A That is correct.

Q -- will you please state why you feel it is necessary --

A Well, sir, we don't feel, in the first place, that these waste oils are actually allowable oils. In other words, I don't think that -- well, basically, I don't think they are allowable oils as such. In other words, allowable oil in the State of New Mexico is per well and actually kind of loses its identity when it hits the

tanks, that's one thing. Another thing, by definition, I don't feel it is allowable oil. If I may, I will take just a minute here.

> "ALLOWABLE PRODUCTION shall mean that number of barrels of oil or standard cubic feet of natural gas authorized by the Commission to be produced from an allocated pool."
>
> "BARREL OF OIL shall mean 42 United States Gallons of Oil, after deductions for the full amount of basic sediment, water, and other impurities present, ascertain by centrifugal or other recognized and customary test."

We are talking about basic sediments when we are talking about tank bottoms. In other words, these deductions are made all along, this accumulation is over a period of considerable time. You would be penalizing the well's allowable for an accumulation that was being made possibly months before. And that I don't believe would be fair nor accurate, and I don't believe you would know which well to charge it to in the first place, because one well will produce one percentage, another well would produce another percentage. You would have no way of controlling it. It has lost its identity, and no longer, I think, is controllable.

Q Mr. Rieder, I believe that the underlying policy of this proposed Rule is to prevent the wasting of these waste oils, and if there is anything there that can be recovered, it is just that much that we'll salvage?

A Yes, sir.

Q What do you feel would be the effect upon this underlying purpose to salvage the waste oils if it is charged against the allowable?

A I think it would be a considerable deterrent. In other

words, the economic values of what we are talking about are quite low. In other words, there is a great deal of handling that goes into it, a great deal of treating expense that goes into it, and the net value once received is going to be quite low. Now, to an operator of a top allowable lease, it just would not, in my mind, if it were my lease, it would not be profitable for me to make an attempted recovery of these things when it was going to come back against the top allowable well, inasmuch as it would be deducting from me oil that I could produce at a good profit, at a fair profit. And I would be deducting or losing that oil in lieu of oil which would cost me some considerable amount of money to handle in the process, particularly the operators involved, because the operator on any single lease is at an extreme disadvantage to recover anything out of this. They can only be economically treated in large volumes. In other words, we feel the minimum five hundred barrels at a treating, the reason being it in five hundred barrel batches, we are going to recover enough oil from the batch, that batch treat to actually make it economic. But if you had to treat it in the volumes that you find it on the leases, such as 20, 30, maybe 40 barrels in a tank, the amount of oil recovered and the amount of expense that go into the handling of that oil would be some considerable expense which would not be justified, and the operator would be at a disadvantage if that had to be charged back to its allowable. I think that is more or less the practical application of this allowable application.

MR. COOLEY: Thank you.

MR. PORTER: Any further questions of this witness? Mr. Fischer.

QUESTIONS BY MR. FISCHER:

Q Mr. Rieder, if an operator has a high bottom and he either knows that oil will be turned down if he doesn't treat it or is told by the pipeline gaugers that it is to be turned down, does he have to report it, if he circulates the bottom of the tank back to his treating system?

A No, sir, he doesn't have to do that today, and under the provisions of this Rule, in our Paragraph (c), it states:

> "The provisions of the foregoing paragraph do not apply when waste oil is reclaimed on the originating lease for the purpose where it originates and is disposed of through the authorized transport."

The purpose of that is -- really, it wouldn't be waste oil at that time. He merely has a bad tank, and quite obviously the operator is not going to turn out a bad tank just because it is a bad tank, because that's where economics demands he treats it. We are speaking about these situations that, where it is not economic for the operator to treat, that's where it is going to waste.

MR. FISCHER: That is all.

MR. PORTER: Mr. Johnston, I believe you had a question.

QUESTIONS BY MR. JOHNSTON:

Q Mr. Rieder, with reference to that portion where you stated that it should not be charged against the allowable of the lease, is it your opinion, then, that there should be no royalty

paid on this oil?

A Well, sir, I have had that royalty question asked a dozen times. I will be quite frank, I am no lawyer, I am no judge, I don't know, but I think, I have an opinion, if you would like it. I don't think the royalty is due, quite frankly, but it is a civil matter and it is one that undoubtedly will be decided.

Q Let's assume that it is decided, that royalty will be due, since your company will be purchasing it, are you prepared to make a provision --

MR. REESE: If the Commission please, I think I will object to this line of questioning. I don't think it is relevant to the proposed amendments. The matter of a royalty is a civil matter not affected one way or the other by these Rules. It is a matter of law whether there is royalty or not.

MR. PORTER: Mr. Reese, the Commission will overrule your objection. You may in your closing arguments, bring out as to what your views are concerning it. As I understood the question from Mr. Johnston was whether or not the applicant would be in a position to make a provision order or not and we feel that the witness should answer the question just simply yes or no.

A Well, I don't know that it is a simple yes or no, Mr. Porter.

MR. PORTER: You are entitled to explain your answer.

A Okay, Mr. Johnston, as far as we would do if it is due, if royalty is due, we are the purchaser, and would be responsible

for royalty payment under the purchase, and obviously we would have to comply with the law whatever it were. Now, the reason we didn't much want to talk about it is that I am on pretty thin ground when we go to talking about royalty and that sort of thing because I don't really know what the actual outcome of that would be. So, my opinion on it is not too good, but obviously, we are going to comply with the law because you have to.

MR. JOHNSTON: Thank you, Mr. Rieder. I am on this ice, too, after January 1. That's all.

MR. PORTER: Anyone else have a question of Mr. Rieder? If not, he may be excused.

(Witness excused)

MR. PORTER: Anyone else have a statement to make?

MR. BRATTON: Mr. Chairman, Howard Bratton, appearing for Humble Oil and Refinery Company. We would like to move at this time for a continuance of this case until the regular November hearing. As reasons for our request, we believe that it is obvious that this is a change of considerable importance and of considerable magnitude and one to which there are not only a number of basic questions, but a great number of technical questions. I believe that was amply brought out by the requests which have been proposed here today. We believe that the Commission, the proponent, and the operators would benefit by a month's careful study of a proposal of this magnitude. Now, I realize that the Commission was kind enough to forward the proposals with the docket, but for example, in the case

of Humble, due to some deficiency in the U. S. mails, this did not reach the Midland office of Humble until last Friday. Frankly, we would like to devote more time and attention to this matter, and I don't believe that a month's delay would be vital in a change of this substance. For that reason we propose that, we move that the matter be postponed, continued until the regular November hearing.

MR. PORTER: Anyone have any comments on the current motion for a continuance?

MR. REESE: I might say, Mr. Chairman, that while we don't feel any good purpose will be served, we have no objection to a continuance.

MR. PORTER: Anyone else? The case will be continued to the regular November hearing which will be held in Santa Fe. At this time we will take a ten-minute recess.

C E R T I F I C A T E

STATE OF NEW MEXICO)
: ss
COUNTY OF BERNALILLO)

I, J. A. TRUJILLO, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in stenotype and reduced to typewritten transcript by me and/or under my personal supervision, and that the same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal, this, the 27th day of October, 1958, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Joseph E. Trujillo
Notary Public

My Commission Expires:

October 5, 1960