

CASE NO.

7433

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

NEW MEXICO OIL CONSERVATION COMMISSION

COMMISSION HEARINGSANTA FE, NEW MEXICOHearing Date DECEMBER 22, 1981 Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
ROD TULSON	The Permian Corp - Western Oil Transportation Co.	Houston, Texas
A. H. CARPENTER	U.S.G.S CONSERVATION DIV	ALBUQUERQUE
Andres Veloso	USGS "	"
Bob Hulen	Byram	Santa Fe
Robert H. Grant	Harvey E. Yates Co.	Las Alamos
JIM LAM	NEW MEXICO STATE LAND OFFICE	SANTA FE
KEN STEINMAN	White Knob Kelly & Co. Consulting	Santa Fe

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO

22 December 1981

COMMISSION HEARING

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 Divisions Rules and Regulations, etc.

CASE
7433

BEFORE: Mr. Ramey
Mr. Arnold

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

W. Perry Pearce, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the ~~Applicant~~ Commission:

J. Scott Hall, Esq.
Energy and Minerals Dept.
Santa Fe, New Mexico 87502

1
2 MR. RAMEY: Call next Case Number 7433.

3 MR. HALL: In the matter of the hearing
4 called by the Oil Conservation Commission on its own motion
5 to consider the designation of two crude petroleum oil pro-
6 ducing areas and the amendment of the Oil Conservation Divi-
7 sion's Rules and Regulations governing the acquisition, move-
8 ment, and disposition of crude oil and condensate, sediment
9 oil, tank bottoms, and other miscellaneous hydrocarbons, as
10 well as producible waters.

11 MR. PEARCE: May it please the Commis-
12 sion, I am W. Perry Pearce appearing in this matter on be-
13 half of the New Mexico Oil Conservation Division.

14 MR. RAMEY: All right. This -- this
15 case was heard on December 3rd, 1981, and due to an error
16 in advertising it was readvertised and reopened today.

17 Are there any other appearances in this
18 case. Case 7433?

19 MR. FULSOM: Yes, I am Rod Fulsom ap-
20 pearing for the Permian Corporation and Western Oil Transporta-
21 tion Company.

22 MR. RAMEY: And you?

23 MR. EDGEMAN (sic): Jim Edgeman with
24 the Navajo Refining Company.

25 MR. RAMEY: Do you gentlemen desire to

1 put on testimony at this time?

2 MR. FULSON: Yes, sir.

3 MR. RAMEY: All right, how about you,
4 Mr. Edgeman?

5 Or do you want to make a statement?

6 MR. EDGE MAN: No, no. I'd just like to
7 say a few words. Now, whenever you want it done, that's up
8 to you.

9 MR. RAMEY: Okay.

10 MR. EDGE MAN: I'm new at this and I
11 apologize.

12 MR. RAMEY: We'll let Mr. Fulson have
13 his say and then you can have yours.

14 MR. EDGE MAN: Did you get Mr. Funk (sic)
15 on there, Garwin Funk? We'd like for him to say a few words,
16 too.

17 MR. RAMEY: Garwin Funk.

18 MR. FUNK: (Inaudible)

19 MR. RAMEY: Mr. Fulson?

20 MR. FULSON: I would like to get a
21 statement into the record.

22 MR. RAMEY: Why don't you sit in a chair
23 there at the end of the table so we'll be sure and get it
24 on the record?
25

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2 MR. FULSOM: With regards to a certain
3 portion of -- of this proposed rule, 804.

4 We concur with -- with every other part
5 of the proposed rules and certainly are willing to, and can
6 work with them, except the second paragraph of Item A, and
7 if you'll permit, I'd like to read a statement at this time
8 concerning our feelings with regards to this.

9 The location of the lease tanks or
10 facility, and I assume the proposed rule refers to a storage
11 facility, written on the run ticket will serve no useful
12 purpose in assisting an investigating officer to determine
13 whether the carrier has a right of possession.

14 Locations on the tickets would be written
15 by the driver whether thief or legitimate driver, and could
16 be copied from the lease signed by either; therefor proving
17 absolutely nothing.

18 Locations would have to be proven by the
19 investigating officer at the time the truck is stopped to be
20 effective as an investigating tool.

21 In some cases locations could conceivably
22 be identical on one -- on more than one sign causing the in-
23 vestigating officer to refer to the lease styling and tank
24 number for the purpose of identifying which the -- the proper
25 lease, which is sufficient in the first place.

1
2 Drivers are accustomed to filling out
3 run tickets with all of the required information except the
4 location. The run ticket itself is historically designed to
5 reflect the operator name, lease name, tank number, BSW,
6 temperature, gravity, top of measurement, and estimated gross
7 volume.

8 Requiring the location to be written in
9 is an additional burden on employees that normally do not
10 excel in paperwork in the first place. Therefore, some
11 drivers will forget to write in the location, or write it
12 down incorrectly, which will cause additional problems for
13 an investigator.

14 For proper identification the investi-
15 gator must again refer back to the lease styling, the
16 operator name, lease name, tank number.

17 We feel that the Form C-104 filed by
18 the lease operator and approved by the New Mexico Oil and
19 Gas Commission gives the designated gatherer the right to
20 be on a lease and to pick up the crude or condensate and
21 that the properly written run ticket, with a copy left at
22 the lease battery, is sufficient proof of right of possession
23 without the burden of our drivers having to write in a loca-
24 tion.

25 A matching copy of a run ticket left

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2 at the lease is positive proof that the load of oil in the
3 truck that has been stopped is legal. Thieves generally do
4 not write run tickets and certainly do not leave copies of
5 them at the lease.

6 And that's all I have.

7 MR. RAMEY: Thank you, Mr. Fulsom.

8 MR. PEARCE: I would like to, if I may,
9 point something out to the Commission and if he would like
10 to comment, I would like to ask Mr. Fulsom to comment on it.

11 I am referring to the statutory provi-
12 sion under which the Division is proposing these regulations.
13 Specifically, Section 30-16-47 requires certain documentation,
14 and in a statute included in the documentation is one, the
15 identity of the operator and the location of the lease from
16 which the crude petroleum oil or other materials are being
17 transported; and two, the identity of the operator or loca-
18 tion of the storage facility from which or to which the crude
19 petroleum oil is being transported.

20 I don't know if Mr. Fulsom wishes to
21 comment on that or not. I believe that I'm compelled to
22 point out to the Commission that in view of that statutory
23 mandate, that this Commission adopt regulations which require
24 certain documentation; that the Commission would be deficient
25 in its statutory duty if it adopted a regulation which did

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2 not provide for those items required by the statute.

3 MR. RAMEY: These would be the same
4 items that Mr. Fulson is objecting to?

5 MR. PEARCE: Yes, sir, that is correct.

6 MR. RAMEY: Thank you. You want to
7 comment on that, Mr. Fulson?

8 Mr. Edgeman, do you want to --

9 MR. EDGEMAN: I don't have a statement
10 but I'd just like to say a few words regarding that.

11 The -- putting the location of the tank
12 battery on the run ticket would be additional information
13 that we don't feel would be necessary. It would create a
14 great deal of paperwork as far as the purchaser is concerned
15 and location on the ticket.

16 I understand that there are plans to
17 have the operator put a location on the tank or at least
18 near to it. This would be quite a task for most of them and
19 would take quite a bit of time.

20 We feel that the -- putting the run --
21 the location of the battery on the ticket would be additional
22 work for people that are not accustomed to paperwork.

23 That's all I have to say.

24 MR. RAMEY: Mr. Funk, do you want to --

25 MR. FUNK: Well, I really have no state-

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2 ment other than some notes I made on the way up here. I got
3 a call late yesterday evening about the meeting and thought
4 I'd jot down a few things.

5 Now, I'm the superintendent of
6 Crude Oil Purchasing Company. We are now operating, running
7 about twelve hours a day just as hard as we can go, utilizing
8 lease trucks, part time drivers, et cetera, trying to keep
9 our hear above water. Every burden that is added to our
10 paperwork is just going to add additional time to our day.

11 Now I know this is -- may be insignifi-
12 cant as far as you're concerned, but a lot of my men leave
13 home before their children are ever up. A lot of them get
14 home after their children have gone to bed. I consider this
15 twelve hours excessive and of course I'd like to cut that
16 down. I'd rather not see them work over ten hours a day, if
17 possible.

18 Another thing, you run into split
19 loads out in the field, whereby the material has to be bought
20 based on an ACT unit, automatic custody transfer. The
21 gauges, if you left gauges, they're inaccurate, so you have
22 to purchase the material on an ACT unit.

23 I can see going ahead and leaving the
24 yellow copy, although it doesn't say how much oil was pur-
25 chased until it's delivered through an ACT unit.

Now, this happens time and time again. The ticket could be left denoting that oil was removed from the lease, okay. But I have no idea how much was removed. Neither does the driver, other than the fact that he knows how much the truck holds, 180, 181 barrels, generally, based on the temperature, time of the year.

Another thing, we really do not have room on the ticket to write down that additional information. There's one small area for a remark section, and so many times that's utilized for other information that's pertinent to the removal of that oil.

I frankly don't know where it would go. But, like I say, it would just be an additional burden and I would rather see it not done.

I might recommend that if one of my trucks is stopped, I'll be glad to give the policeman, I suppose, a State policeman, give him a legal description over the radio of the tank battery and he can go from there right back out in the field, gauge the tank, work, whatever he needs to do to check it out.

But this wouldn't be quite a burden so much that way.

That's the only thing I can come up with. Thank you.

MR. RAMEY: Thank you, Mr. Funk.

Does anyone else have anything else to
anything further?

Does anyone else have anything to add
in Case 7433?

If not, the Commission will take the
case under advisement.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that
the foregoing Transcript of Hearing before the Oil Conserva-
tion Division was ~~reported by me~~; that the said transcript
is a full, true, and correct record of the hearing, prepared
by me to the best of my ability.

Sally W. Boyd CSR

SALLY W. BOYD, C.S.R.

Rt. 1 Box 191-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

NEW MEXICO OIL CONSERVATION COMMISSION

COMMISSION HEARING

SANTA FE, NEW MEXICO

Hearing Date

DECEMBER 3, 1961

Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
J. H. Kuehlich	El Paso Natural Gas Co	El Paso, Tx
R. C. Hochen	Cities Service Co	Tulsa Ok
J. J. Harris	Sun Oil Co	Dallas, Tx
H. Luccock	U. S. G. S.	ALBUQ
M. Reitz	U S G S	AIRBUP
Stan Watson	Watson Treating	Tatum
D. J. Watson	Watson Treating	Hobbs
Ray Evans	Rhema Oil Pro.	
Earl Bell	Southern Union Exploration	Fort Worth
GARY PAULSON	Amoco Production Co.	Denver, Colo
BOB LARGE	GAS CO. N. M.	Bloomfield
Robert J. McLaughlin	Gas Co. N. M.	Bloomfield
Wilton D. Moore	Shell Oil Co	Hobbs NM
V. E. Archer	Shell Oil Co	Houston Tex
C. F. KALTEYER	GULF OIL CORP	MIDLAND
CHARLES CLABURN	GAS CO OF NEW MEXICO	CARLSBAD.
SUSAN RENO	Southern Union Exploration	Dallas
Dennis H. Rogers	" " "	"
Edw. Smith	" " "	"
Payton Yates	IPA-NM & Texas Per Corp	Artisian, NM
CA. MOTE	Amoco Prod Co	HOUSTON
J. C. Allen	" " "	"

NEW MEXICO OIL CONSERVATION COMMISSION

COMMISSION HEARING

SANTA FE

NEW MEXICO

Hearing Date

DECEMBER 3, 1931

Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
WANE STAFFORD	Amoco Productions Co.	Houston, Tex.
W. Y. Kellogg	Kellogg & Kellogg	Santa Fe
Vinton Perce	Amoco	Dallas
Hugh Ingram	Conoco	Hobbs
Bill Gussett	N.M.O.C.D.	Artesia
Lancel M. Harkins	G.A.C.C.	ARTESIA
W. H. Rainey	Petr. Info	Austin, TX
JOE MORRIS	MOBIL PROD. TX & NM	HOUSTON
Gilbert E. Miller	Amperoda Hess Corp	Tulsa
NERRY SEYTON	O.C.D.	Hobbs
Roy Johnson	O.C.D.	Santa Fe
Frank Hudson	Byram	Santa Fe
Chas. G. Huber	O.C.D.	AZTEC
Joe. H. H. H.	Seant Ref.	Farmington
J. C. Durham	Energy Reserve Group	Farmington
Maurice Trimmer	N.M.O.C.A.	SF
Ken. H. H. H.	White Rock Kelly Harkins	Santa Fe
S. J. Mother	Cities Service	MIDLAND

NEW MEXICO OIL CONSERVATION COMMISSION

PAGE 3

COMMISSION HEARING

SANTA FE, NEW MEXICO

Hearing Date

DECEMBER 3, 1981

Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
Jeff Edmister	NM OCO	Aztec
Larry Gandy	Gandy Corp	Lovington
Dale Gandy	Gandy Corp	Lovington

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
3 December 1981

COMMISSION HEARING

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
7433

BEFORE: Commissioner Ramey
Commissioner Arnold

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the NMOCC:

J. Scott Hall, Esq.
ENERGY AND MINERALS DEPT.
Santa Fe, New Mexico 87501

A P P E A R A N C E S

For the NMOCD:

W. Perry Pearce, Esq.
Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For Amoco Production Co.:

Clyde Mote, Esq.
AMOCO PRODUCTION COMPANY
Houston, Texas

As Chairman of the
Regulatory Practices
Committee for the New
Mexico Oil and Gas
Association:

W. Thomas Kellahin, Esq.
KELLAHIN & KELLAHIN
500 Don Gaspar
Santa Fe, New Mexico 87501

(REPORTER'S NOTE: All other interested
parties who made comments or asked
questions during these hearings are
listed on the Commission roster for
3 December 1981.)

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I N D E X

RICHARD L. STANETS

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EXHIBITS

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2 MR. RAMEY: The hearing will come to
3 order.

4 We'll call first Case 7433.

5 MR. HALL: In the matter of the hearing
6 called by the Oil Conservation Commission on its own motion
7 to consider the designation of two crude petroleum oil pro-
8 ducing areas and the amendment of the Oil Conservation Divi-
9 sion's Rules and Regulations governing the acquisition, move-
10 ment, and disposition of crude oil and condensate, sediment
11 oil, tank bottoms, and other miscellaneous hydrocarbons, as
12 well as produced waters:

13 MR. RAMEY: I'm going to ask for ap-
14 pearances at this time for any or ^{any} all cases.

15 MR. PEARCE: Mr. Commissioner, I am
16 W. Perry Pearce, appearing on behalf of the New Mexico Oil
17 Conservation Division in the case just called, and in all
18 succeeding cases.

19 MR. KELLAHIN: If the Commission please,
20 I'm Tom Kellahin of Santa Fe, New Mexico, appearing as Chair-
21 man of the Regulatory Practices Committee for the New Mexico
22 Oil and Gas Association.

23 MR. MOTE: May it please the Commission,
24 I'm Clyde Mote, representing Amoco Production Company, from
25 Houston, Texas.

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2 MR. VANCE: Peyton Yates, as Chairman
3 of the Sub-Committee on MISCED rule changes (inaudible).

4 MR. INGRAM: Hugh Ingram, Conoco, from
5 Hobbs, and I would like to make a statement in connection
6 with Case Number 7438.

7 MR. KENDRICK: H. L. Kendrick, El Paso
8 Natural Gas Company.

9 MR. HOEKER: R. L. Hoeker for Cities
10 Service Company.

11 MR. KALTEYER: Charles F. Kalteyer for
12 Gulf Oil, out of Midland.

13 MR. MORRIS: Joe Morris, Mobil, Houston.

14 MR. RAMEY: Any other appearances at
15 this time?

16 MR. BATEMAN: Ken Bateman, White, Koch,
17 Kelly, and McCarthy, on behalf of Texaco.

18 MR. RAMEY: Does anyone in the audience
19 plan to give testimony at this time?

20 Mr. Kellahin, do you have a witness?

21 MR. KELLAHIN: No, sir, I'll be the
22 witness.

23 MR. RAMEY: You'll be the witness.
24 Wonderful.

25 I'd ask that all witnesses stand at

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2 this time and be sworn.

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(WITNESSES SWORN.)

MR. REMY: All right, Mr. Pearce, you
may proceed.

MR. PEARCE: Thank you, sir.

RICHARD L. STAMETS

being called as a witness and being duly sworn upon his oath,
testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. PEARCE:

Q Mr. Stamets, for the record would you
state your full name, place of residence, and employer?

A I am R. L. Stamets, Technical Support
Chief with the Oil Conservation Division in Santa Fe, New
Mexico.

Q Mr. Stamets, in the case presently be-
fore the Commission, enumerated 7433, would you for the
Commissioners and those in attendance at this hearing summar-
ize the changes proposed in the OCD Rules and the reason
for such changes?

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2 A Well, the reason we're here goes back
3 to the last session of the Legislature and I have passed out
4 to the Commission, and there are on the front table here,
5 copies of a set of exhibits that start with a n.p.

6 The last page of that exhibit, stack of
7 exhibits, is really eight, and Exhibit Eight is the Sections
8 30-16-46 through 30-16-48 of the New Mexico Statutes, 1978
9 Compilation, and this results on the laws of 1981, Chapter
10 257, or the Anti Crude Oil Theft Act.

11 MR. PERRY: I see that we have just run
12 out of copies. If all of you who are sitting near each
13 other could share, we'd appreciate it.

14 A In any event, our last session of the
15 Legislature, becoming concerned about reported crude oil
16 theft, passed this piece of legislation, and the law does a
17 few things. I'd like to kind of cover briefly a few of the
18 sections and this will explain why we're here today.

19 In Section 30-16-47 the law states,
20 "Any person in possession of crude petroleum oil, or any
21 sediment, water or brine, produced in association with the
22 production of oil or gas, or both, for transportation by
23 motor vehicle from or to storage, disposal, processing, or
24 refining, must also possess specific documentation required
25 by regulation of the Oil Conservation Division."

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And then that section goes on to indicate what things must be in that documentation, such as the identity of the operator and the location of the lease, the volume of crude oil being transported, and so on.

Section 30-16-42 of this part of the law goes ahead and says that any person who is found within a geographical area of the state designated by regulation of the Division, being the Oil Conservation Division, as a crude petroleum oil producing area, in possession of crude petroleum oil, sediment, water or brine, produced in association with the production of oil or gas, or both, which contains crude petroleum oil and does not on a reasonable request of any State police officer or other law enforcement officer produce the required documentation for examination and inspection is guilty of a misdemeanor.

Looking at these two sections, they call upon the Division to do a couple of things. One is to establish the crude oil producing area, or areas, wherein State Police may stop truckers without probable cause to inspect the cargo and the documents, and then the other thing that it calls on us to do is -- is describe what the documents should be.

In addition to that, we have been concerned about some of our Rules and Regulations and feel that

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2 we need to tighten up a few audit trails on such things as
3 sediment oil, so that anybody should be able to prove that
4 the oil that they got at any particular location ~~was~~ ~~belong~~
5 there, where it came from, and so on.

6 Q Mr. Stamets, if you would, in view of
7 those legislative mandates which you have just discussed,
8 if you would begin with what has been marked as Exhibit One
9 in Case 7433, and describe for the Commissioners generally
10 how the Division proposes to implement those mandates?

11 A Exhibits One, Two, and Three all dis-
12 cuss the designation of crude oil producing areas.

13 Exhibit One is a statewide map, and on
14 there I've drawn a couple of semi-circles, which indicate the
15 general areas that we are proposing here today for designa-
16 tion as crude oil producing areas. I've tried to show here
17 the location of the primary towns, the highways, and so on,
18 and this would -- you can see from this map that in the next
19 couple of maps that we've pretty much gotten the -- the pro-
20 ducing counties, the nearby counties where we may expect
21 production to occur, plus those counties which have major
22 roads where oil thieves might be moving crude by truck.

23 At the top of the Exhibit Number One
24 we do have the two areas designated, and in southeast New
25 Mexico we're calling for Chaves, DeBaca, Eddy, Lea, and

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2 Roosevelt Counties. Of those at this time only DeBaca is
3 not a producing county; however, with the -- with the wildcat-
4 ting that's going on there, that may be some day.

5 In northwest New Mexico we are calling
6 for Cibola, McKinley, Rio Arriba, Sandoval, San Juan, and
7 Valencia Counties, and there only Cibola and Valencia Counties
8 are not -- not producing counties, but especially Cibola con-
9 tains some of the major highway through the area, and would
10 be, perhaps, prime areas to catch stolen oil.

11 Exhibit Two simply shows the counties
12 which are being designated in the southeast, or south, to
13 be designated.

14 Exhibit Three shows the counties in the
15 northwestern part of the state which are sought for desig-
16 nation.

17 Q For clarification of the record, Mr.
18 Stamets, the semi-circles shown on Exhibit One to Case 7433
19 are for orientation purposes only and in fact the county out-
20 lines shown on Exhibits Two and Three actually specify those
21 areas included within these designations, is that correct?

22 A That is correct.

23 Q Fine, thank you, sir.

24 At this time, if you would, please,
25 turn to Exhibit Four to Case 7433 and describe for the Com-

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2 missiners and those in attendance at this hearing what changes
3 are being made to those regulations, and some general indi-
4 cation of the purpose of those changes?

5 A In Exhibit Four, which is several pages,
6 we have several proposed rule changes and some new rules
7 which are designed to facilitate crude oil theft investiga-
8 tion, designed to sort of make a better audit trail on crude
9 oil and on sediment oil, and also designed to help alleviate
10 a salt water dumping problem that the Division has experienced
11 in southeast New Mexico.

12 Most of these things, especially the
13 ones on oil, sort of go together, and unless there are some
14 other questions, I think I'll just start through here and
15 at least cover those that deal with -- with oil first.

16 The first proposal deals with Rule 310,
17 and there we are proposing a second paragraph to the existing
18 rule.

19 And this rule change would require that
20 after July 1, 1982, that all oil tanks, tank batteries,
21 automatic custody transfer systems, tanks used for salt water
22 collection or disposal, tanks used for sediment oil treatment
23 or storage, shall be identified by a sign, and this sign
24 would show the operator of the lease or the operator of the
25 facility, and its location by unit letter, section, township,

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2 and range.

3 Now, the reason for this will be much
4 clearer later when we get into the discussion of the docu-
5 mentation required, but basically, this is to permit any truck
6 driver who's moving liquid from any of these facilities to
7 be able to go to the tank battery and jot down the location,
8 and the location will be required on the documentation.

9 The reason for the July 1 date is to
10 give everybody time to get out there and either purchase some
11 signs or stencil signs on the sides of their tanks or their
12 facilities.

13 The next section deals with sediment
14 oil, tank cleaning, and transportation of miscellaneous hy-
15 drocarbons, and this is Rule 311.

16 Paragraph (a), which defines sediment
17 oil, is identical to the existing rule.

18 Paragraph (b) is identical to the ex-
19 isting rule until we get down to the fourth line from the
20 bottom, and at that point we are proposing a new name for
21 Form C-117-A, and at that point we have another addition which
22 requires that no operator, contractor, or other party, shall
23 engage in the cleaning of any tank of sediment oil or the
24 removal of sediment oil from any lease without an approved
25 copy of this Form C-117-A at the wellsite.

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2 We probably should flip back here at
3 this point to Exhibit Number Five, which is the one legal-
4 sized page in this packet, and that is Form C-117-A as we
5 have proposed it.

6 This form can be submitted to the Divi-
7 sion either by the owner of the facility, as noted on the
8 lefthand side at the bottom of the page, or by the party doing
9 the tank cleaning or the removal, and this is just simply to
10 facilitate getting the form in. Sometimes it's easier for
11 the operator to do it; sometimes it's easier for the trans-
12 porter to do it.

13 In any event, when this form is distri-
14 buted the owner of the facility will get a copy. That will
15 go to him from the Division and therefor, he will know that
16 something has been removed from his facility.

17 The permit number to be assigned by the
18 Division, operator, and so on, are pretty standard. We're
19 going to have someone tell us what's to be done here; if
20 it's tank cleaning, sediment oil removal, transportation of
21 miscellaneous hydrocarbons, whatever.

22 The operator, owner/representative,
23 authorizing the work, the date it's to be performed, tank
24 cleaning information, whether we're looking at good oil, sour,
25 other types of oil, types of miscellaneous hydrocarbons can

1
2 be checked there, the volume and destination gives an estimate
3 for gross volume and a volume for good oil, if there is any,
4 where it's to be moved.

5 If, instead of being moved to a treating
6 plant, it is to be destroyed, there is another set of blanks
7 to show how it's to be destroyed.

8 And then a spot for signature by whoever
9 is going to sign this, be it the owner or the transporter,
10 and a block for the Division to approve this form.

11 Moving on, then, to paragraph (c), which
12 deals with destruction of sediment oil, that is identical
13 to the existing rule with the exception that we have changed
14 the name of the form to the 117-A, as we have proposed it
15 here.

16 Paragraph (d) is a new paragraph, which
17 requires that any operator, contractor, or party, other than
18 a treating plant operator, which cleans any tank of sediment
19 oil and removes the sediment oil from any lease, shall file
20 Form C-117-B, Monthly Sediment Oil Disposal Statement, setting
21 out all information required thereon.

22 Now in the case of this party being a
23 treating plant operator, he would be showing us monthly on
24 Form C-118 what happened to the oil he removed from a lease.

25 Form C-117-B, then, closes the audit.

1
2 trail so that anyone else who is not a treating plant opera-
3 tor who removes oil from a lease tells us what happened to
4 it.

5 Paragraph (e) is a new paragraph re-
6 quiring that a representative sample of sediment oil from any
7 source shall be tested in a manner designed to accurately
8 estimate the percentage of good oil expected to be recovered
9 therefrom. Such test shall be performed prior to transport
10 and prior to commingling the sediment oil from other leases
11 or sources and the results recorded on the appropriate Form
12 C-117-A.

13 The second paragraph states that the
14 Division recommends the standard centrifugal test prescribed
15 by API Code, List Code, and then it says that other test
16 procedures may be used if such procedures reliably predict
17 the percentage of good oil to be recovered from sediment oil.

18 Now, before we go on, this API Code,
19 Number 25, Section 5, is no longer being used. This has been
20 replaced by a new code, which is shown as Exhibit Four-A.
21 That's now Chapter 10, Section 4, Standard Methods of Test
22 for Water and Sediment in Crude Oil.

23 And so I would recommend that wherever
24 this original code 25, Section 5, is mentioned, that that be
25 replaced by the -- by the new code.

Paragraph (f) is new. All sediment oil removed from storage shall be reported on Form C-115. Operator's Monthly Report, together with the Form C-117-A permit number, and this clarifies this, it's the operator's responsibility to tell us when sediment oil is removed from a lease.

Paragraph (g) is a brand new definition, what's called Miscellaneous Hydrocarbons.

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

Paragraph (h) is new and says that 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.

The second paragraph states that whenever an emergency exists which requires delivery of miscellaneous hydrocarbons to a treating plant or other facility prior to approval of Form C-117-A, the transporter of such hydrocarbons shall notify the supervisor of the appropriate

1
2 of the appropriate District Office of the nature and extent
3 of such emergency on the first working day following the
4 emergency, and shall file Form C-117-A within two working
5 days following the emergency.

6 For extended emergencies the District
7 Supervisor may authorize the unlimited movement of miscel-
8 laneous hydrocarbons to a treating plant or other facilities
9 and during the period of the emergency shall approve a Form
10 C-117-A filed subsequent to the conclusion of such emergency
11 and covering the entire volume of miscellaneous hydrocarbons
12 transported.

13 This again will close the audit trail
14 or close the paper trail on material which moves to the
15 treating plants. At the present time this type of movement
16 does not have to have any form, any State form, to go with
17 it.

18 Rule 312, then, gets into treating
19 plant operations. Paragraphs (a) and (b) are identical to
20 the existing rules.

21 Paragraph (c) is new and states that
22 no treating plant operator may accept sediment oil at or into
23 a treating facility unless the same is accompanied by an
24 approved Form C-117-A.

25 Paragraph (d) provides that except as

provided in Rule 311(h), and that's the emergency movement of miscellaneous hydrocarbons, no treating plant operator may accept tank bottoms from pipeline stations, crude oil 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.

Paragraph (e) talks about filing Form C-118 and is the same until we get right down to the end of the second paragraph, and again we get into the API Code problem, and that needs to be substituted, the new code needs to be substituted for the old, and also we've added a sentence which says, other test procedures may be used if such procedures reliably predict the percentage of good oil to be recovered from sediment oil.

Rule 1117 is changed to reflect the new form names, Form C-117-A and Form C-117-B, and to show how they are to be filed.

And Rule 1118 is the treating plant operator's monthly report, and we've added the second sentence there, which says, Column One, Sheet 1-A of Form C-117, entitled Permit Number, has reference to basically the Form C-117-A.

MR. RAMEY: I think you said 117 instead

1
2 of 118-A.

3 A I stand corrected.

4 Q Mr. Stamets, for clarification, could
5 you run through for the Commissioners the previous purposes
6 of previous Form 117-A and B and how those have been changed
7 by this amendment?

8 A Previously one form was for sediment
9 oil removal; the other was for sediment oil destruction, and
10 in this case we have combined both of those into the 117-A,
11 and have the new 117-B, which documents what happens to sedi-
12 ment oil removed from a lease by a party not a treating plant
13 operator.

14 Q Thank you, sir.

15 At this time, Mr. Stamets, without undue
16 stress to your voice, I hope, would you proceed with the
17 proposed Rule 804?

18 A I'll be glad to.

19 Q Thank you.

20 A We move now from the sediment oil into
21 the movement of crude oil. After the Act was passed, the
22 Division did call a public meeting wherein we discussed the
23 proposed -- the regulation, the law, rather, and how the
24 Division might deal with the law with those people in the
25 trucking businesses and refining business, and then based on

1
2 what we received from them, and also based upon recent action
3 by the U. S. Geological Survey, we are making the following
4 proposals relative to documentation of the crude oil move-
5 ment.

6 And this is contained in a new Rule 804,
7 title Documentation Required.

8 And this states in Paragraph A that all
9 transportation of crude oil or lease condensate by motor
10 vehicle shall be accompanied by a run ticket or equivalent
11 document. During the meetings we noted a number of times
12 that the documentation wasn't exactly a run ticket. It might
13 be part of a run ticket or a work order, and any of those
14 things would be valid.

15 The documentation shall identify the
16 name and address of the transporter, the name of the operator,
17 and of the lease or facility from which the oil was taken,
18 the date of removal, the API gravity of the oil, the observed
19 percentage of BS and W, the volume of oil, or opening and
20 closing tank gauges or meter readings, and the signature of
21 the driver.

22 The documentation shall provide space
23 for recording of the lease number and for signature of the
24 operator or his representative.

25 Now that last sentence was added to make

1
2 this match what the U. S. Geological Survey has recently re-
3 quired. You will note that it doesn't say this information
4 must be on the document, only that the space be provided for
5 it.

6 Then it goes on to state that after July
7 1, 1982, each such document must additionally show the loca-
8 tion of the tanks or facility from which the oil was taken,
9 and that goes back to why we were having them signed at each
10 tank battery, because if the driver does not have this inform-
11 ation otherwise, if it's not given to him by his office, he
12 can simply walk up to the tank and look and see what it says
13 and jot that information down on the run ticket.

14 Paragraph B says that all transportation
15 of liquids which may contain crude oil, lease condensate,
16 sediment oil, or miscellaneous hydrocarbons shall be accom-
17 panied by a run ticket, work order, or equivalent document.
18 The document shall identify the name and address of the
19 transporter, name of the operator, and of the lease or faci-
20 lity from which the liquid was removed, the nature of the
21 liquid removed, including the observed percentage of liquid
22 hydrocarbons, and the destination.

23 And, again, after July 1, 1982, the
24 location will be required on the document.

25 Paragraph C says the documentation re-

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

The last sentence there says that one copy of such documentation shall be left at the facility from which the oil or other liquids were removed, and it was suggested to me just in the last twenty-four hours that we might want to modify this to say that this would not be required if the transporter is the owner of the facility from which the oil is removed.

Q Okay. Mr. Stamets, if we can go back up to the last sentence of the proposed Sub-Section A of 804, is my understanding correct that for OCD purposes the form will not necessarily show the signature of the operator before crude or condensate is removed on the run ticket or equivalent document, but that that specific item is shown on the form because, as the regulations presently stand, as you understand, USGS requires such signature before crude or condensate is removed from Federal leases?

A I know they did require this for at least a short period of time. I'm not certain that they're requiring it in every case, but this will make it equivalent

1 if they are and if they continue to.

2 Q And you are not proposing by having that
3 space on the form to impose an additional requirement on
4 operators by the OCD. That is there in compliance with Fed-
5 eral regulations, if those regulations require it?

6 A That's correct. I believe everything
7 prior to that last sentence is -- is useful for anybody in-
8 vestigating crude oil theft and so I believe that that would
9 be sufficient in itself.

10 Q Thank you, sir.

11 A At this time, Mr. Stamets, I believe
12 the remaining changes relate to produced waters and some
13 changes in handling that documentation. Would you proceed
14 to describe for the Commissioners and those in attendance,
15 what changes are recommended?

16 A Yes. For some time we have been con-
17 cerned about the volume of water that's getting dumped, es-
18 pecially in southeast New Mexico. You can hardly go to the
19 fields now without finding some road wet with obvious salt
20 water being dumped. There's no sign of a maintainer or any
21 road construction, and what seems to be happening in a num-
22 ber of cases is that we've got a rule in southeast New Mexico
23 which prohibits the operators from disposing of more than
24 a barrel a day in their pits. They are paying a truck
25

1
2 driver to come pick that up and haul it off to either a salt
3 water disposal well or approved facility, and the truck
4 driver goes around the corner and sprays it down the highway,
5 and we haven't accomplished what we intended to do, which was
6 not allow this salt water to be dumped on the ground, and
7 certainly the operator is -- is paying for something he's not
8 getting.

9
10 So with this series of regulations we
11 are trying to give ourselves the power to be able to stop
12 that.

13 Rule 709 deals with removal of produced
14 water from leases and field facilities.

15 Paragraph (a) defines produced water
16 as those waters produced in conjunction with the production
17 of crude oil and/or natural gas and commonly collected at
18 field storage or disposal facilities, including lease tanks,
19 commingled tank batteries, burn pits, LACT units, and com-
20 munity or lease salt water disposal systems.

21 Paragraph (b) states that no transporter
22 shall remove any produced water by motor vehicle from any
23 lease, central tank battery, or other facility, without an
24 approved Form C-133 (Authorization to Move Produced Water).

25 I'd like to flip back now to Exhibit
Number Seven, which is that form, or proposed form, and dis-

1
2 cuss that just briefly.

3 The title of the form is Authorization
4 to Remove Produced Water. The transporter name is to be
5 shown at the top, his address on the next line, and then his
6 office location if it is different from the address, plus
7 the appropriate phone numbers and the State Corporation Com-
8 mission permit number.

9 And then it goes on in the center of the
10 form to note the responsibility of the holder of Form C-133
11 to familiarize his personnel with the content of Division
12 Rules and Regulations to assure that he is in compliance
13 therewith, and notes that failure to move or dispose of pro-
14 duced water in accordance with these rules is cause for can-
15 cellation of the form and the authority to move produced
16 water.

17 It provides for certification and sig-
18 nature by the Division.

19 Now, moving on then to paragraph (c)
20 of the rule, it says that produced water transporters may
21 obtain approval of Form C-133 by filing three copies of the
22 form with the Director of the Division in Santa Fe.

23 And basically what this means for a
24 trucking company is that for all of their operations they
25 only have to have one copy of Form C-133. That's filed in

1
2 Santa Fe. Once it's approved, then, as far as we're con-
3 cerned he's authorized to move this type of water anywhere
4 in the state. Now, it will be his duty, I am certain, to see
5 that a copy of this form is in the truck that is moving this
6 water, and then we get into paragraph (d), which says that
7 no owner or operator shall permit produced water to be re-
8 moved from its leases or field facilities by motor vehicle
9 except by a transporter possessing an approved Form C-133,
10 I would assume then that a prudent operator would want to
11 look at a copy of this Form C-133 at some stage before he
12 allowed any trucker to move salt water from his facility.

13 Now, Rule 710 goes on to say how a
14 trucker can get rid of this produced water.

15 Paragraph (a) says that no transporter
16 may dispose of such water on the surface of the ground or in
17 a pit, pond, lake, depression, draw, stream bed, or arroyo,
18 or in any watercourse, or in any other place, or in any manner
19 which will constitute a hazard to any fresh water supplies.

20 Delivery of produced water to approved
21 salt water disposal facilities, secondary recovery or pres-
22 sure maintenance injection facilities, or to a drillsite for
23 use in drilling fluid, will not be construed as constituting
24 a hazard to fresh water supplies, provided that produced
25 waters are placed in tanks or other impermeable storage at

such facilities.

Paragraph (b) provides that the supervisor of the appropriate District Office of the Division may grant temporary exceptions to paragraph (a) for emergency situations for use of produced water in road construction or maintenance, for use of produced waters for other construction purposes upon request and a proper showing by holder of an approved C-133.

Paragraph (c) states that 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.

Now, what this means is that if your inspectors are in the field and they find a trucking company that has an approved C-133 illegally or contrary to our rules dumping water on a road or in a ditch or in a caliche pit, then we'll have the opportunity to have a public hearing and suspend Form C-133, or cancel Form C-133, which in essence, then, puts that trucker out of the produced water hauling business.

Rule 1133, then, is proposed just dealing with Form C-133, getting the name, saying who must have it, and providing that one form is valid for all leases served by such transporter.

Q Okay, Mr. Stamets, for clarification on your Exhibit Seven, the proposed Form C-133, there is blank space, as you indicated, for insertion of a State Corporation Commission permit number. Should a situation arise in which a salt water hauler is not required to have a permit from the State Corporation Commission, is it the intention of the Oil Conservation Division to require such permit, or upon demonstration of the lack of necessity for that permit will the Division approve a 133 without such a number?

A I would feel that the appropriate thing to do would be for the applicant to just simply write in that blank, None Required, and that is -- that is his problem; that's not our problem.

Q Okay, thank you, sir.

Mr. Stamets, having completed a review of the proposed rule changes set forth in Case 7433, do you have other information or exhibits that you would like to present to the Commission at this time?

A I believe that that has covered each one of the exhibits and everything that I had prepared in this case.

Q Thank you, sir.

MR. PEARCE: Mr. Commissioners, at this time we would move the admission of Exhibits Number One

1
2 through Eight in Case 7433, and we have nothing further at
3 this time.

4 MR. RAMEY: Exhibits One through Eight
5 will be admitted.

6 Are there any questions of the witness?
7 Mr. Mote.

8 CROSS EXAMINATION

9 BY MR. MOTE:

10 Q With regard to Rule 310, Mr. Stamets, --

11 A Okay.

12 Q -- I'd like to make a couple comments
13 before I ask the question.

14 First of all, my people tell me that
15 most of the signs that are in existence now around this
16 type of facility are in excess of 20 feet, somewhere --
17 most of them would be between 20 and 50 feet.

18 The other comment I'd like to make is
19 it looks like this last sentence of that paragraph would re-
20 quire that the lettering on the signs be legible under normal
21 conditions for a distance of up to 50 feet.

22 I was wondering if the 20-foot require-
23 ment that you stated in this rule, proposal, is that concrete
24 or would you consider maybe extending that up to 50 feet
25

1
2 to conform with current conditions?

3 A What's this room, maybe 50 feet long?

4 Q I'm not very good at distances.

5 A I really don't have any trouble with
6 that. The intent of this rule is that the sign be where the
7 truck driver can find it. As long as -- as long as that re-
8 quirement is met, I'm happy with whatever distance is in
9 there.

10 Q All right, I had one other question with
11 regard to Rule 804.

12 I think it's probably intended that the
13 documentation requirement would only apply to off-lease trans-
14 portation. In other words, transportation of crude oil and
15 liquids on the lease would not require this documentation,
16 am I correct?

17 A Let me take a quick look at what the
18 law says there.

19 I feel pretty certain that that's the
20 intention of the law and should be the intention of this
21 rule. I feel certain that that's one of those things that
22 would be very easy to demonstrate if a police officer stopped
23 a company truck on his way from one tank to another on the
24 same lease, and it's the Division's intention to work with
25 the State Police to make sure that we're able to solve situ-

ations like this that come up.

So I would agree with you that it's not the intention to have this if you're just simply moving the oil from one tank to another on the same lease.

MR. PEARCE: Mr. Mote, if I may for clarification of that point, I think the position that Mr. Stamets is taking finds support in Sub-Section 1 of Section VIII of 30-16-47, which contains the words "transported from a lease".

It seems to me that that indicates the legislative intent to not require documentation for on-lease transportation.

MR. MOTE: No further questions.

MR. RAMEY: Any other questions? Mr. Kalteyer.

QUESTIONS BY MR. KALTEYER

Q I have questions for clarification on Rule 311(b).

Is it the intention of the Division that this will be approved only at the Division Office level?

A. Yes.

Q Rather than the District and also --

A. Well, now, let me -- let me -- no, that

1
2 should be the District Office level.

3 Q In the sentence of 311(b) there.

4 A Let me take a quick look at the Rule
5 117, or 1117. That may be clear there.

6 Yes, Rule 1117 does say that it shall be
7 submitted to the appropriate District Office of the Division.

8 Q What page is that on?

9 A That would be at the top of the third
10 page of Exhibit Four.

11 Q All right, and that's for tank cleaning?

12 A Yes.

13 Q All right, and then on 311(c), on destruction
14 is that also for Division approval?

15 A Yes, that's -- that's correct.

16 Q District or Division?

17 A District. It may well be that that
18 clarification should go in 311(a) -- (b) and (c).

19 Q Then along with Amoco's suggestion, Rule
20 804, which you indicated that this was for off-lease move-
21 ment, under 804(a) we would recommend that the words "off-
22 lease" be inserted in that rule, to read "All transportation
23 of crude oil or lease condensate off-lease by motor vehicle
24 shall be accompanied by a run ticket or equivalent document."

25 A I think some sort of clarification on

1
2 those -- along those lines would be appropriate.

3 Q Also, at the bottom of that Paragraph A,
4 you had indicated that that was optional on signature, and
5 we would recommend that the words be added to the end of that
6 sentence about signature, "which is optional", signature of
7 the operator or his representative, "which is optional".

8 We've had that controversy among our
9 people already.

10 And then, also, in 804-B, we'd recom-
11 mend that the words "off-lease" be inserted in that, All
12 transportation of liquids "off-lease" which may contain crude
13 oil, lease condensate, sediment oil, or miscellaneous hydro-
14 carbons shall be accompanied by a . . . et cetera.

15 A In this one especially the words "off
16 lease" may not be exactly correct in that some of these
17 things might be moved on a refinery site, so again, I agree
18 that the intention is when you're moving it from the lease
19 or from the facility to another point, and I will -- I'll
20 certainly try and work out language which will appropriately
21 reflect that.

22 Q As well as in 709(b), produced water
23 off-lease, No transporter shall move any produced water "off
24 lease". This would eliminate our problem when moving water
25 on the lease.

1
2 A In this one, Mr. Kaltayer, it does say
3 move produced water from any lease, central tank battery, or
4 other facility . . .

5 I'm not certain that that -- but again.
6 maybe we can make it clear.

7 MR. RAMEY: If you moved produced water
8 on the lease and dumped it on the lease, a method not allowed
9 by the Division, why, that wouldn't -- still would not be
10 permitted, would it, Mr. Stamets?

11 A No, that certainly -- certainly would
12 not.

13 We may have that solved by the current
14 order that's in effect relative to -- to disposal of produced
15 waters.

16
17 CROSS EXAMINATION

18 BY MR. RAMEY:

19 Q What are you defining as a lease?

20 A Huh.

21 Q Does that include production from separate
22 pools?

23 A Well, anything that would be commonly
24 thought of as a lease in standard oil field parlance or oper-
25 ation. A separate lease which has been obtained from the

1
2 Land Office, and a lease like that might have several differ-
3 ent pools involved. I'm not certain if that might cause any
4 problems or not.

5 Q You still would not be able to move oil
6 from -- on the same lease from one pool to another, one tank
7 battery to another tank battery, without some type of run
8 ticket.

9 A It's a good question, Mr. Ramey. I'm --
10 one I had not given much thought to. If it's just produced
11 water, it's conceivable that it might be moved by motor
12 vehicle on the lease to a central storage facility by the
13 operator of the lease for injection into a well or into a
14 pipeline system, and again, the intent of this thing is not
15 primarily to deal with the operator of a lease but to deal
16 with commercial trucking companies. Those are the ones that
17 seem to have been the problem.

18 Q But the Division still requires accurate
19 production accounting by pool.

20 A Yes, that's correct.

21 Q It does not seem that the rule should
22 allow the crude oil transportation between, say, pools, or
23 between separate tank batteries on the same lease, without
24 some accounting.

25 A That's -- that's a problem which is

1
2 going to have to require a little bit of thought to -- to
3 write up. Perhaps we could define -- define what we mean by
4 a lease relative to these rules.

5 We could define a lease as being a
6 standard lease relative to one -- one pool. Then again we get
7 into a problem where if we had commingled tank batteries, where
8 we are not lease commingling, we have pool commingling on a
9 particular lease, I'm not sure if that throws a complication
10 into the thing that we couldn't deal with in a simply written
11 rule or not.

12 Q It does give you something to think
13 about, though.

14 A It certainly does.

15 Q On your Rule 310, which covers an auto-
16 matic custody transfer at a tank battery, you wouldn't re-
17 quire two signs?

18 A That's correct. Normally, at automatic
19 custody transfer system you have a series of tanks and they're
20 serving a lease or set of leases, and it is my intention that
21 there would just be one sign at that facility.

22 MR. RAMEY: Any other questions of the
23 witness? Mr. Arnold?
24
25

CROSS EXAMINATION

BY MR. ARNOLD:

Q Mr. Stamets, Rule 709, Paragraph (c), you also have the problem of filing with Santa Fe rather than the District. Do you intend that?

A It was the intention for this rule that that form be filed in Santa Fe.

Q What's the reason for that?

A We would just have all of them filed in one location and as they are filed and approved here, we would be sending copies of these to each District Office. Since a 133 entitles you to serve any lease anywhere in the State, the sending it to the District Office might not be the right thing. Send it here and we can make a Xeroxed copy and all of our Districts will know who's authorized.

Q Also, in Rule 710, Paragraph (c), provides for the cancellation of Form C-133. What's the penalty for transporting without Form C-133?

A I would assume that that is the same penalty which applies to any violation of the Division Rules and Regulations. We would have to take the party to court and we could seek up to \$1000 a day for each violation and for each day of violation.

Plus there are some criminal penalties

1
2 available.

3 MR. ARNOLD: Thank you.

4 MR. RAMEY: Any other questions?

5 Mr. Nutter?

6
7 STATEMENT BY MR. NUTTER:

8 Q I don't know if these are questions or
9 not. I'll make them as observations and maybe Mr. Stamets
10 will want to comment on them.

11 MR. RAMEY: Could you come down a little
12 further, Mr. Nutter?

13 Q Sure.

14 I think, referring to Rule 804, in para-
15 graph A, this is the transportation of crude oil or conden-
16 sate by motor vehicle, and you must state the volume of crude
17 oil or condensate that you're moving from the lease.

18 Paragraph B refers to the transportation
19 of liquids that may contain crude oil or lease condensate,
20 and you do have to report the percentage of the liquid
21 hydrocarbons that would be obtained from this, or an estimate
22 of the percentage.

23 Now, we all know that these trucks that
24 pick up sediment oil, pick up volumes from more than one
25 lease on each run as a normal rule, and I think if you take

1
2 the percentage of the liquid hydrocarbons that can be ex-
3 pected, but you don't have the estimated volume of each faci-
4 lity, you've got a percentage of nothing.

5 So I think that they should have to
6 show the estimated volume picked up from each one of these
7 leases when more than one lease is serviced by a single run.

8 A I think that's certainly a good idea.
9 Now, in matter of fact, if we were dealing only with sediment
10 oil, he would have an estimate of the volume in that there is
11 a blank for that on the C-117-A, but there could be other --
12 other liquids moved that, like the miscellaneous hydrocarbons
13 from a pipeline spill, that -- that should have the volume
14 shown.

15 Q Now, if you have the percentage in a
16 mixed batch from more than one facility, the estimated per-
17 centage, why you don't have anything unless you've got some-
18 thing to multiply the percentage by to determine how much
19 estimated good hydrocarbons came from each facility.

20 Okay, the other comment that I had was
21 with respect to Rule 709 and 710, particularly 710. This
22 question has come to me in the last few days, about the pro-
23 ducer who is transporting his own salt water to a facility
24 somewhere.

25 Is he a transporter of salt water? Does

1
2 he need an approved C-133? For his own trucks?

3 It's something that I thought you might
4 want to give consideration in formulating the final rule.

5 A It would seem that if he runs the risk
6 of moving it off of -- off of a lease, perhaps he should have
7 one of these things so that -- so that he is complying with
8 the law. And certainly there would be no problem for a
9 transporter -- or for an operator to obtain a Form C-133.

10 Q There's no prohibition against a producer
11 here from transporting his produced salt water, out onto the
12 road and dumping it; only --

13 A Well --

14 Q -- a transporter is prohibited from
15 doing that, not a producer, unless he's defined as being the
16 transporter and he's hauling his own water.

17 A Well, I --

18 MR. PEARCE: Well, it certainly -- ex-
19 cuse me -- it certainly seems to me, Mr. Nutter, that clari-
20 fication may be in order, although I'm not sure that the
21 term transporter of produced water is anything more than de-
22 scriptive.

23 If the term transporter of produced
24 water is in fact a descriptive term, then it is inclusive
25 rather than exclusive, and if you are transporting, which

1
2 seems to me in the vernacular means hauling it around --

3 Q Yes.

4 A -- and it is produced water, you are
5 therefor a transporter of produced water.

6 Q Well, rather than get into an argument
7 with a man whether it's inclusive or exclusive, I thought it
8 might --

9 MR. PEARCE: I agree with you --

10 Q -- ought to be stated.

11 MR. PEARCE: -- on that.

12 MR. NUTTER: That's all.

13 MR. RAMEY: Thank you, Mr. Nutter.

14 Any other questions of Mr. Stamets? Yes, sir.

15 MR. EVANS: (Inaudible) I'll try to
16 speak louder.

17 We have some questions concerning the
18 Rule 310, Paragraph (b).

19 MR. PEARCE: That must be 311, Paragraph
20 (b).

21
22 QUESTIONS BY MR. EVANS:

23 Q No operator, contractor, or other party
24 shall engage in the cleaning of any tank of sediment oil or
25 the removal of sediment oil from any lease without an approved

1
2 copy of Form C-117-A at the site.

3 As a matter of expediency, it's going to
4 be very, very expensive for (inaudible) operators to have to
5 have this Form 117-A filled out in the manner that is suggested
6 here with the proper documentation, take it into the Oil Regula-
7 tion office and get a permit number and then back to the site
8 with the truck to -- to take care of this operation.

9 So what my question is, is there any
10 other way that we can arrive at this documentation without
11 putting this kind of a load on the treating plant operators?

12 A We, of course, have had this question,
13 or this issue posed before, and I have spent time with out
14 District personnel trying to see if we could come up with
15 something which was -- which could do what you're talking
16 about, and no one has brought anything to me which would work,
17 and they all say that if we don't have something like this,
18 that there's no way in the world that you can police what's
19 going on in the field.

20 I realize that it's going to be a burden
21 on somebody, but once everybody gets into the routine of
22 planning ahead on when they're going to get the tanks cleaned,
23 I realize again that the pipeline may call you this morning
24 and say they're not going to run that, but I think if every-
25 body will watch their operations they'll be able to get hold

1
2 of you in time so that you can get the paper work filled out
3 or they can get it filled out and into the office and back
4 to the field.

5 And, again, most of the people doing this
6 type of work aren't located 500 miles away from our office.
7 They're pretty close, and it shouldn't take, I think, more
8 than an hour to get this stuff in and back to the field.

9 Q It would require a lot more time than
10 that when you consider that you have to have volumes, of
11 course if this is to determine accurate amounts. Tank bot-
12 toms are not necessarily measurable in real accurate amounts.

13 Also, when you're dealing with just the
14 legwork involved, it's a matter of having to have this form
15 signed after material is shaken out at the locations, taking
16 the form back to the local Oil Commission Office, and then
17 in turn, you know, your truck driver to go back to the field,
18 and this is going to require quite a bit of time and expense
19 on the part of the --

20 A Let me clarify that point. I think this
21 will certainly make you feel a little bit better.

22 When this form would come in to the
23 Division all it would show is the estimated volume to be re-
24 moved from the tank, and that ought to be pretty much standard
25 procedure. You know what type and size tank you're going to

1
2 18 barrels or 30 barrels, or whatever. The trucker in the
3 field will perform some sort of a test which will show what
4 the good oil is. He's going to have this permit already in
5 his hand at that time. We are not necessarily going to know
6 what the shakeout is but it's going to be on this Form C-117
7 at the site and it's going to be on there for any police of
8 ficer that stops the trucker, and will be on there for the
9 treating plant operator, and since he's required to keep re-
10 cords of his operations, and you are, too, for I believe five
11 years, the Division or any other party can go in and check
12 this thing and see what the estimates of good oil are.

13 But that's not going to have to be on
14 the form when you come to the Division.

15 Q Okay, this volume is just an estimate
16 then, but we don't have to necessarily live with.

17 A That's correct. Now, the law says that
18 if there is a substantial difference between what's supposed to
19 be on the truck and what's actually on there, then that's
20 cause for further investigation.

21 So again, you're -- you're not going to
22 go out and get what's supposed to be 33 barrels and have 100
23 barrels on your truck. I'm sure of that.

24 Q Well, this does happen, sir.

25 A Well, everybody's going to have to work

1
2 together to eliminate that or -- or whoever's got that extra
3 oil in their tank may have a problem.

4 MR. EVANS: That's all the questions I
5 have.

6 MR. RAMEY: Any other questions of Mr.
7 Stamets?

8 MR. WATSON: I'm Eddie Watson with
9 Watson Treating in Tatum.

10
11 QUESTIONS BY MR. WATSON:

12 Q I just wondered, is each vehicle going
13 to have to have a centrifuge on it, or are you going to have
14 to have one of them go around in front of you with a company
15 representative?

16 I was just wondering if each vehicle,
17 each truck is going to have to have a centrifuge where you
18 can check it out there on the lease, or are you all going to
19 have to require them, like if we got stopped by a policeman,
20 or just kind of how is this going to be handled?

21 A Well, your -- your men, whoever they
22 are, wherever it is, and whoever it is, is going to have to
23 run some sort of a field test --

24 Q Yes, sir.

25 A -- on the sediment picked up, and that

1
2 volume will be noted on the form.

3 Now, I would assume, I'm not going to
4 speak for the State Police, but I would assume that they're
5 going to acquire theive gauges and they will have lab facili-
6 lities available to them where if they stop one of your
7 truckers and they'd get in and maybe theive (sic) that tank,
8 measure the volume in it and take a sample, which they might.
9 I don't know, maybe they'll have centrifuges in their cars.
10 I haven't talked to Captain Harrell (sic) about that, but
11 I'm sure that either in the field or in their labs have
12 facilities for shaking it out.

13 Again, if it's supposed to be only 10
14 percent good oil and it's 90 percent, you may have a prob-
15 lem.

16 Q Well, yes, sir, I realize that, but,
17 you know, all oil stratifies and I can shake it out and you
18 can shake it out and more than likely we won't get the
19 same shake out. Now what's going to be the tolerance?

20 In other words, I can get, say, about
21 two percent and you can get ten percent, for instance.

22 A Until we get some experience, all of
23 us, in working with the State Police, and our District Of-
24 fices will be working with them closely, until they get ex-
25 perience and we do, I can't say what the tolerance will be.

1
2 We're just going to have them look at these things on a case
3 by case basis and hear what the explanation is and hopefully,
4 not get anybody that's trying to do the right thing in any
5 trouble.

6 Q Yes, sir. Well, quite ago you all said
7 on the estimated oil, on a standard 500, say, a foot, it's
8 33 barrels to a foot, approximately. Okay, if you get into
9 a cone bottom, the way I understand it, it can be over 14 to
10 approximately 20 barrels extra oil. Say, you got flat bot-
11 toms and you got cone bottoms, and I just wonder what
12 tolerance it is on the estimated barrels you've got there.
13 And on this tracking chart there is -- there is no, usually,
14 I'm going to say usually, there's nothing said whether it's
15 a flat bottom, cone bottom, or no bottom, you know.

16 A If you can demonstrate that, the varia-
17 tion in what you have on that vehicle is a reasonable varia-
18 tion given conditions in the field, I'm sure that our people
19 will tell the State Police that this is not a problem.

20 Q Well, like I say, you know, if you'd
21 come up with what the tolerance is going to be, I'd say, and
22 if we could get --

23 A If you're supposed to have 10 barrels
24 of good oil and you've got 100 barrels of good oil, that's
25 when you've got a problem, and if it's 10 and 20, I doubt

1
2 if that's going to be a problem, except I'd hate to say that
3 for sure, because I'm not going to -- I don't want to sit up
4 here and tell everybody it's all right to steal 10 barrels
5 of oil but it's not all right to steal 100.

6 Q Yeah, right.

7 MR. WATSON: Maybe I'll think of some
8 later.

9 MR. RAMEY: Any other questions? Yes,
10 sir.

11
12 QUESTIONS BY MR. EVANS:

13 Q I have one further question, along the
14 same line on this Form C-117-A.

15 Now, I understand that we have to have
16 the owner or the operator of that lease sign this thing be-
17 fore we can get our permit number.

18 A No, sir, that's not correct.

19 Q That's not correct?

20 A This form may be signed, and you'll
21 notice there, it says, application may be made by either of
22 the following, so the owner can do it himself or the trans-
23 porter may do it.

24 Q Okay. I just wanted to make sure.

25 MR. RAMEY: Any other questions? Or

1
2 statements? Mr. Morris.

3
4 STATEMENT BY MR. MORRIS

5 MR. MORRIS: As a matter of consideration
6 I would like to suggest that, for consideration, at least,
7 I think the matter of penalty has been mentioned here this
8 morning, and under the rules for permits, 74-6-5, paragraph
9 two does provide for a misdemeanor, and we would like to
10 suggest that the Division might suggest to the Legislature
11 that on second offense that this should be considered a
12 felony with a mandatory penalty of going to the pen, from
13 one to ten years, and likewise, and a penalty of \$1000 to
14 \$10,000.

15 MR. RAMEY: Thank you, Mr. Morris.

16 Any other questions?

17 MR. WATSON: Could I ask one more ques-
18 tion?

19
20 QUESTIONS BY MR. WATSON:

21 Q On some of these new leases that they're
22 bringing in, for instance, they only have a couple of 500
23 barrel tanks there and they're producing somewhere in the
24 neighborhood of 250 to 300 barrels a day. Is this going to
25 be classified as emergency to clean these if the pipeline

1
2 turns them down and they've got some more stacked up?

3 A Well, the general rules and regulations
4 give the Oil and Gas Inspectors the right to bend rules in
5 the field, and I would hope that they would take advantage
6 of that rule when and if they had to.

7 Again, the intent of this series of
8 rules is to, say, plan ahead, get the paper work in, and do
9 it right. If we start talking about, well, just call up the
10 District, our District people won't be doing anything but
11 staying on the telephone, and yeah, that's okay, and calling
12 each other back and forth saying someone's going to be out
13 there doing something.

14 So I would hope there'll be as few of
15 these situations as possible.

16 Q Well, yes, sir, but you know it does
17 occur occasionally, and like I say, there are quite a few
18 bringing in quite a bit of production and, you know, they
19 anticipate it going down so they're not tying up any more
20 than they have to in tank space. You know, I don't think it
21 would be emergency, but you know, I'm not going to tell them.
22 There's not much they can do, I guess.

23 That's kind of what I was wondering.

24 A Well, I know it will hurt their current
25 income if they have to shutdown, but I presume they won't be

1
2 losing any oil. It should be there tomorrow when they could
3 start up a pumping unit.

4 Q And also, it says no tank shall be
5 cleaned at all -- or I'm taking it as all. We have on occa-
6 sions that they need to put a new BS line, you know, in the
7 bottom. A lot of times this goes back to the high production
8 and everything. We don't take any oil but all we do is
9 maybe clean it out for them so that they can repair it and
10 put the oil back.

11 Are we going to have to have a C-117
12 form or --

13 A Perhaps that could have a work order,
14 such as described in the 804 rule, and if you had that work
15 order there, that would certainly explain your intent being
16 there, and I don't believe you'd get in a bit of trouble.

17 The 117-A and the work order and the
18 run ticket all go together to provide the documentation to
19 show why anybody is at a particular location and why they
20 have them on the tank what they -- what they have. When
21 you've got a work order that says you're supposed to pick
22 it up while the tank is being repaired, and you're 20 miles
23 off down the road, that's not going to do the trick.

24 But it seems to me that a work order
25 would take care of the situation you described.

1
2 Q Okay. Well, like I say, you know, this
3 does occur quite often. All we can do is basically clean it
4 out for repairs and put it back.

5 A Well, that's not really tank cleaning
6 operation, that sucking it up and putting it right back.

7 Q Well, you have to clean them out, you
8 know, and get them --

9 A Well, if you're tank cleaning, then
10 you'd better get a Form C-117-A.

11 Q Okay, thank you.

12 MR. RAMEY: Any other questions?

13 MR. GANDY: My name is Dale Gandy with
14 Gandy Corporation.

15
16 QUESTIONS BY MR. GANDY:

17 Q I was wondering if there's any way in
18 this Rule 311 that on our C-117-A that we could call our
19 District Office and tell them what we had, the lease name,
20 the location, call the information and maybe receive an ap-
21 proval number without having to drive, say, to Tatum or
22 Lovington, or whatever, Hobbs District Office, for a signa-
23 ture?

24 A As I said earlier, I've talked to dif-
25 ferent people about that, and I couldn't get any of them to

1
2 recommend such procedure.

3 Q Thank you.

4 MR. RAMEY: Any other questions? Mr.
5 Sexton.

6
7 STATEMENT BY MR. SEXTON:

8 MR. SEXTON: To clarify things, I don't
9 think it will be as bad as you say.

10 A lot of them, the Highway Patrol is
11 going to have good training and they're going to realize
12 what's going on, going to accept the tolerances, but they
13 do want the percentages defined. Say, you estimate 34 bar-
14 rels and have got 60 barrels, I don't think they're going to
15 be too upset so much as long as your percentage is correct.
16 This is what they're going to be looking for, because if
17 you've got everything accounted for, then it's really between
18 you and your company if you want to haul off -- if they want
19 to give you an extra 30 barrels that isn't accounted for,
20 (inaudible).

21 As far as the permits, we're talking
22 pipeline companies, we've operated a little different in the
23 past, but the pipeline companies, the two major ones that's
24 in that part of the country, say usually what they'll do is
25 they'll run this tank and then need to clean the tank, so

1
2 the company (inaudible) we're not going to run this tank.
3 It happens once in awhile, but most of the time they will
4 run this, and then you need to get it cleaned.

5 ~~So the company's ahead of time, they~~
6 this won't be a problem. It's just that they haven't oper-
7 ated this way in the past.

8 But with their cooperation I don't see
9 any problems with that, as we're visualizing right now.

10 MR. RAMEY: Any other questions? If
11 not, the witness may be excused.

12 Does anyone have anything further to
13 offer in Case 7433?

14 If not, we'll --

15 MR. PEARCE: Excuse me, Mr. Ramey.

16
17 (Thereupon a discussion
18 was had off the record.)

19
20 MR. RAMEY: We can't take the case
21 under advisement. We will have to readvertise it in one
22 paper, since they for some reason put down the hearing date
23 as December 13th.

24 So we will, after proper advertisement
25 in that one paper, we will -- I guess we'll have to reopen

1
2 the cases at some later date.

3
4 (Hearing continued.)
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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that
the foregoing Transcript of Hearing before the Oil Conserva-
tion Commission was reported by me; that the said transcript
is a full, true, and correct record of the hearing, prepared
by me to the best of my ability.

Sally W. Boyd CSR.

SALLY W. BOYD, C.S.R.
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Phone (505) 435-7409

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115

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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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION

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Case No. 7433
Order No. R-6881

(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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Case No. 7433
Order No. R-6881

- (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 "A" 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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Case No. 7433
Order No. R-6861

(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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Case No. 7433
Order No. K-6881

(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 Have 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.

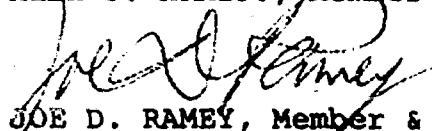
(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

(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

SEAL

RULE 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 1600 feet to any school or church, or where such tanks are so located as to be deemed an objectionable hazard within the jurisdiction of the Division. Where fire walls are required, like 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.

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.

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OIL CONSERVATION DIVISION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

Form C-117 A
Revised 2-1-82

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

PERMIT NUMBER _____

(Operator or Owner) _____

(Address) _____

(Leave Name if Sediment Oil) _____

(Location - in Sec. Twp. Rgd.) _____

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 ☐ Celler ☐ 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.

Oil Refinery/Production		
Company Name		
Location		
Product		
Quantity		
Value		
Disposal Method		
Remarks		

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 **QUINTUPPLICATE** and in accordance with Rule 311 (b), (c), and (d).

(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 _____

DESIGNATION OF CRUDE OIL PRODUCING AREA(S)

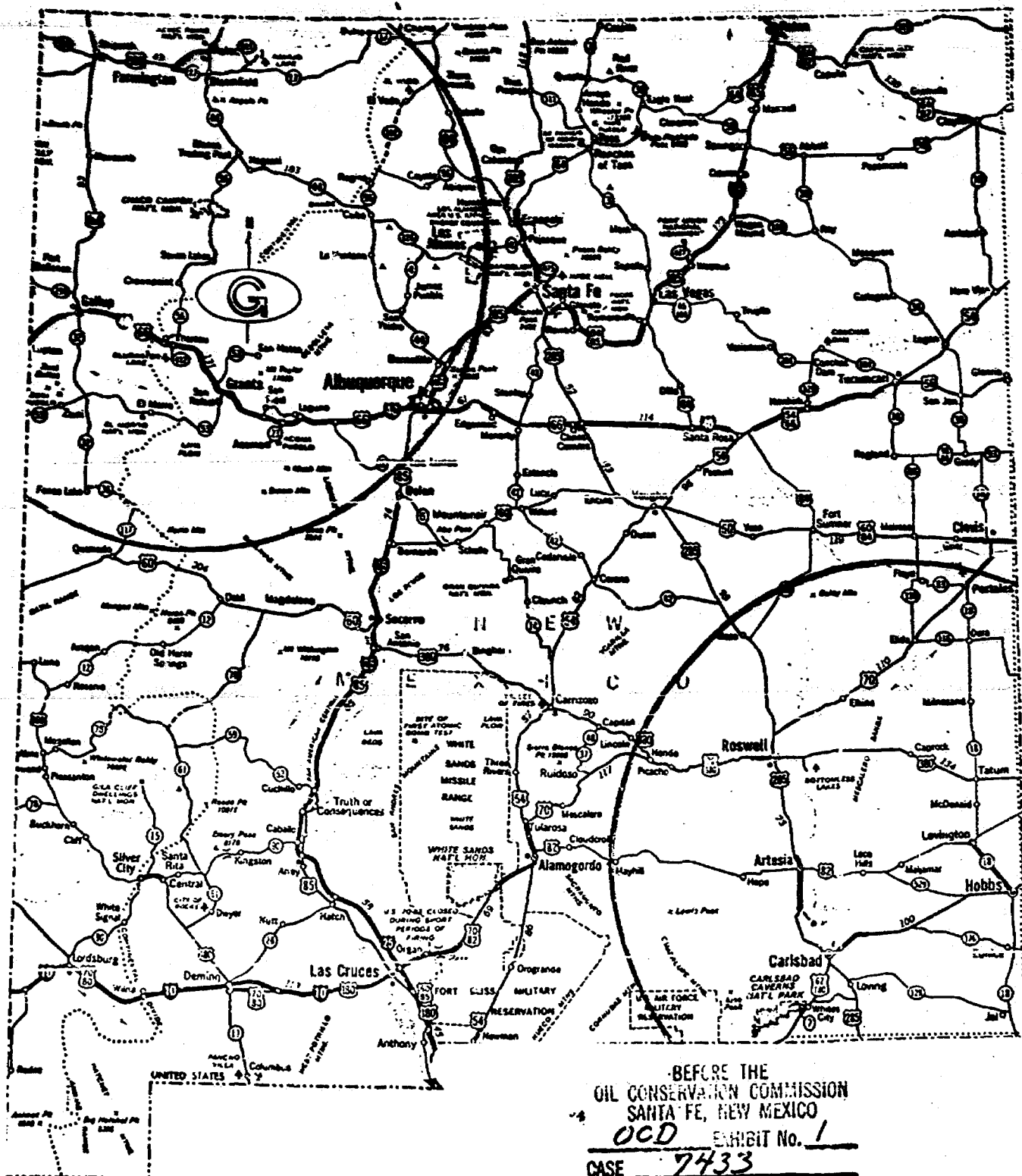
Under the provisions of Section 30-16-48, NMSA 1978 compilation, it is proposed to designate the following crude petroleum oil producing areas:

Southeast New Mexico

Chaves, De Baca, Eddy, Lea and Roosevelt Counties

Northwest New Mexico

Cibola, McKinley, Rio Arriba, Sandoval, San Juan and Valencia Counties



PROPOSED RULE CHANGES OR ADDITIONS

I. OIL THEFT AND MOVEMENT OF PRODUCED WATER

The following proposed rule changes are designed to facilitate oil theft investigation by providing for location signs at tank batteries, a better audit trail for sediment oil, and documentation for movement of fluids by vehicular transport:

"RULE 310 (new second paragraph to be added to existing rule)

After July 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 20 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 Division. 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 Division 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 which 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 Code for Measuring, Sampling, and Testing Crude Oil, Number 25, Section 5. Other test procedures may be used if such procedures reliably predict the percentage of good oil to be recovered from sediment oil.

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

OC2 EXHIBIT No. 4
CASE 7435

(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 community 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 extended emergencies, the district supervisor may authorize the unlimited movement of miscellaneous hydrocarbons to a treating plant or other facilities and during the period of the emergency and shall approve a Form C-117-A filed subsequent to the conclusion of such emergency and 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 Code for Measuring, Sampling, and Testing Crude Oil, Number 25, Section 5. Other test procedures may be used if such procedures reliably predict the percentage of good oil to be recovered from sediment oil."

"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 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 C-118 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."

Documentation for the movement of crude oil as required by Chapter 257, Laws of 1981, (House Bill 517) may be handled by the adoption of a proposed new Rule 804 which will read as follows:

"RULE 804. DOCUMENTATION REQUIRED

A. All transportation of crude oil or lease condensate by motor vehicle 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 July 1, 1982, each such document must additionally show the location of the tanks or facility from which the oil was taken.

B. All 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. 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, and the destination.

After July 1, 1982, each run ticket or equivalent document must additionally show the location of the tanks or facility from which the liquid was removed.

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 for any employer of the Division, any State Police officer, or any other law enforcement officer upon identification and request.

One copy of such documentation shall be left at the facility from which the oil or other liquids were removed."

Documentation of the movement of produced water by motor vehicle may be handled with minimum paperwork and disruption by adoption of the following proposed rules:

"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) No transporter shall move 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).

(c) Produced water transporters may obtain approval of Form C-133 by filing three copies of the form with the Director of the Division in Santa Fe.

Why not destroy?

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

"RULE 710. DISPOSITION OF TRANSPORTED PRODUCED WATER

(a) No transporter of 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, 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."

What is penalty for transporting water without C-133?
RULE 1100 is proposed to be amended to reflect new Form C-133 and a new Rule 1133 will be proposed as follows:

"RULE 1133. AUTHORIZATION TO MOVE PRODUCED WATER

Each 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."



**MANUAL
OF
PETROLEUM
MEASUREMENT STANDARDS**

Chapter 10 ————— Section 4

**STANDARD METHODS OF TEST FOR
WATER AND SEDIMENT IN CRUDE OILS**

 AMERICAN PETROLEUM INSTITUTE

API-2542

 AMERICAN SOCIETY FOR TESTING AND MATERIALS ASTM D 86

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
OCD EXHIBIT No. 4-A
CASE 7433

Standard Methods of Test for WATER AND SEDIMENT IN CRUDE OILS



ASTM Designation: D 96 - 68
API Standard: 2542
November, 1968

This Standard of the American Society for Testing and Materials is based under the designation D 96; the first number indicates the year of original adoption as recorded on, in the case of revision, the year of last revision. This is also a standard of the American Petroleum Institute based under the designation API 2542.

These methods were adopted as a joint ASTM-API Standard in 1968.

FOREWORD

The standard in this publication is one of a series approved jointly by the American Society for Testing and Materials and the American Petroleum Institute. This standard is the result of a cooperative arrangement established by the two organizations to develop and jointly approve and publish standards dealing with quantitative and qualitative measurements for petroleum products and lubricants.

The American Society for Testing and Materials and the American Petroleum Institute have taken no position as to whether any method, apparatus or product mentioned herein is covered by an existing patent, nor has a position been taken as to the validity of any patent alleged to cover any such method, apparatus or product. Furthermore, the information contained in this standard does not grant the right, by implication or otherwise, for manufacture, sale or use in connection with any method, apparatus or product covered by letters patent; nor does it insure anyone against liability for infringement of letters patent.

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Printed October, 1970

1. Scope

1.1 These methods describe procedures for the determination of water and sediment in crude oils.

1.2 The methods appear in the following order:

	Sections
Method A. Laboratory Centrifuge Method	3 to 7
Method B. Field Centrifuge Method	8 to 13
Method C. Field Centrifuge Method, 12.50 ml Tube	14 to 19
Method D. Bare Method	20 to 22

1.3 The Gravity Settling Method for Crude Oils is in use in some areas of the United States for determining water and sediment in crude oil deliveries. Where used this method is well known. The most recent standard reference is Method D in ASTM Designation D 96 - 63; API Standard 2542, published in the 1968 Book of ASTM Standards, Part 19.

¹ Under the standardization jurisdiction of the ASTM and the API, these methods are under the jurisdiction of the ASTM Committee D-2 on Petroleum Products and Lubricants and the API Council Committee on Petroleum Measurement. A list of D-2 members may be found in the ASTM Year Book.
Current edition accepted Sept. 15, 1968.
Originally issued 1968. Replaces D 96 - 63.

2. Sample

2.1 The sample shall be thoroughly representative of the material in question and the portion used for the test shall be thoroughly representative of the sample itself. This requires vigorous agitation of the sample immediately before transferring the sample to the tube. Cold samples should be warmed to facilitate mixing. The difficulties in obtaining representative samples for this determination are unusually great; hence, the importance of sampling cannot be too strongly emphasized.

METHOD A. LABORATORY CENTRIFUGE METHOD

3. Apparatus

3.1 Centrifuge, capable of whirling two or more filled centrifuge tubes at a speed which can be controlled to give a relative centrifugal force (rcf) of between 500 and 800 at the tip of the tubes. The revolving head, transom rings, and transom cups, including the cushion, shall be soundly constructed to withstand the maximum centrifugal force capable of being delivered by the power source. The transom cups and cushions shall firmly

support the tubes when the centrifuge is in motion. The centrifuge shall be enclosed by a metal shield or case strong enough to eliminate danger if any breakage occurs. Calculate the speed of the rotating head as follows:

$$rpm = 365 \sqrt{\frac{rcf}{d}}$$

where:
rcf = relative centrifugal force, and
d = diameter of swing, in., measured between tips of opposite tubes when in rotating position.

3.2 Centrifuge Tubes, cone-shaped, conforming to dimensions given in Fig. 1 and made of thoroughly annealed glass. The graduations, numbered as shown in Fig. 1 shall be clear and distinct, and the mouth constricted in shape for closure with a cork. Scale error tolerances and smallest graduations between various calibration marks are given in Table 2, and apply to calibrations made with air-free water at 20°C reading the bottom of a shaded meniscus.

3.3 Bath for Centrifuge Tubes—The bath shall be either a solid metal block or a liquid bath of sufficient depth for im-

the centrifuge tube is vertical and the 100-ml mark. Meniscus shall be read for each reading. Temperature shall be 120 ± 2 F (50 ± 1 C) and 120 ± 2 F (50 ± 1 C).

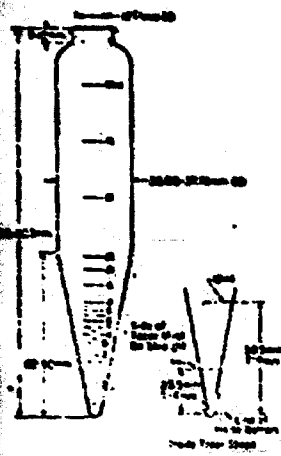


Fig. 1—Eight Inch Centrifuge Tube.

A. Solvent

4.1 Toluene (Note 1) conforming to ASTM Specification D 362, for Industrial Grade Toluene,¹ or hexane conforming to ASTM Specification D 362, for Industrial Grade Hexane,¹ may be used as the solvent. A commercial demulsifier may be added to the solvent but shall not contribute to the water and sediment. The type and concentration is not limited, provided that the demulsifier itself does not contribute to the water and sediment. Commercial demulsifiers at a concentration of 7 ml per 1000 of solvent have been successfully used (Note 2).

4.2 The solvent shall be saturated with water at ambient temperature but shall be free of suspended water. Saturation may be accomplished by the addition of 2 ml of water per 1000 ml of solvent. A mechanical stirring device is

¹ See also of ASTM Standards, Part 18.
² Toluene 1-6 and Toluene C-10 have been successfully used.

TABLE 1—SATURATION OF TOLUENE AND HEXANE WITH WATER

Temperature, F	Water in Toluene, ml/1000	Water in Hexane, ml/1000
120	12.00	12.00
115	11.50	11.50
110	11.00	11.00
105	10.50	10.50
100	10.00	10.00
95	9.50	9.50
90	9.00	9.00
85	8.50	8.50
80	8.00	8.00
75	7.50	7.50
70	7.00	7.00
65	6.50	6.50
60	6.00	6.00
55	5.50	5.50
50	5.00	5.00

* Measured in tubes between tips of opposite tubes when in resting position.

TABLE 2—CENTRIFUGE TUBE CALIBRATION TOLERANCES FOR 6-IN. TUBE

Range, ml	Subst. vol., ml	Volume Tolerance, ml
0 to 0.1	0.05	±0.00
Above 0.1 to 0.2	0.05	±0.00
Above 0.2 to 0.5	0.05	±0.00
Above 0.5 to 1.0	0.10	±0.00
Above 1.0 to 2.0	0.10	±0.00
Above 2.0 to 5.0	0.20	±0.00
Above 5.0 to 10.0	0.5	±0.00
Above 10 to 25	1.0	±0.00
Above 25 to 100	2.0	±1.00

recommended, but if none is available, shaking will aid in saturation. Adequate settling time should be provided to ensure that the solvent is free of suspended water before use.

Note 1—Toluene is the preferred solvent because of its lower toxicity.

Note 2—It is recognized that some crudes may require (1) other solvents or (2) solvent demulsifier combinations. Such solvents and demulsifiers as agreed upon between the purchaser and the seller may be used after careful experimentation to determine suitability and durability.

B. Procedure

5.1 Fill each of two centrifuge tubes (see 3.2) to the 50 ml mark with solvent; then pour, immediately the well-shaken sample directly from the sample container into the centrifuge tubes until the total volume in each tube is 100 ml. Stopper the tubes tightly and shake vigorously until the contents are thoroughly mixed. Immerse the tubes in the

100-ml mark for 10 min in the bath (see 3.2) and read the 100 ml mark at 120 ± 2 F (50 ± 1 C).

5.1.1 If no contribution to the volume of water and sediment observed, perform the oil-solvent mixture to 100 F (50 C) before each whirling; the final temperature of the mixture shall not drop below 115 F (46 C).

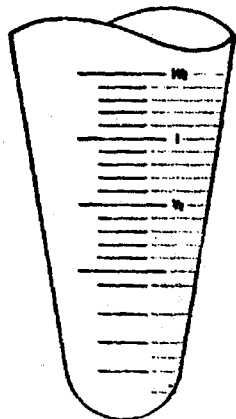


Fig. 2—Tip of 100 ml Cone-Shaped Tube.

5.2 Invert the tubes to assure that the oil and the solvent are uniformly mixed. If necessary, shake cautiously. (Caution—The vapor pressure at 100 F is approximately double that at 100 F.) Place the tubes in turn on cups on opposite sides of the centrifuge to establish a balanced condition, and whirl 10 min at a rate, calculated from the equation given in 3.1 sufficient to produce a relative centrifugal force (rcf) of between 500 and 800 at the tip of the whirling tubes. (For the relationship between diameter of swing, rcf, and rpm, see Table 1.) Read and record the combined volume of water and sediment at the bottom of each tube to the nearest 0.05 ml from 0.1 to 1-ml graduation and to the nearest 0.1 above 1-ml graduation. Below 0.1 ml, estimate to the nearest 0.025 ml. Return the tubes without agitation to the centrifuge and whirl for 10 min at the same rate. Repeat this operation until the combined volume of water and sediment remains constant for two consecutive readings. In gen-

eral, and more than two whirlings are required.

Note 3—With certain types of oil it is difficult to obtain a clean break between the oil layer and the separated water. In such cases one or more of the following cautions may be effective: (1) raise the temperature to 100 F and guard against allowing the temperature to drop below 115 F at the end of the run; (2) shake the mixture between whirlings in the centrifuge just sufficiently to disperse the emulsion; (3) use a different, or increased amount of demulsifier; however, it should not contribute to the water and sediment. After a satisfactory procedure for a particular type of oil has been worked out, it will similarly be found suitable for all samples of the same type.

5.3 Record the final volume of water and sediment in each tube and report the sum of these two readings as the percentage of water and sediment.

6. Report

6.1 The report shall include the following:

6.1.1 The percentage of water and sediment. (Results lower than 0.05 percent reported either as zero or 0.05, whichever is closer.)

6.1.2 The name of and amount of demulsifier used.

6.1.3 The solvent used if different from those in 4. Solvent, and

6.1.4 The bath temperature.

7. Precision

7.1 The following criteria should be used for judging the acceptability of results (95 percent probability):

7.1.1 *Repeatability*—Duplicate results by the same operator should be considered suspect if they differ by more than the values shown on the "repeatability" curve in Fig. 3.

7.1.2 *Reproducibility*—The results submitted by each of two laboratories should be considered suspect if they differ by more than the values shown on the "reproducibility" curve in Fig. 3.

METHOD B. FIELD CENTRIFUGE METHOD

A. Apparatus

8.1 *Centrifuge for Field Use*, meeting the requirements prescribed in 3.1.

8.2 *Centrifuge Tube, 6-in.*, cone-shaped as described in 3.2 and shown in Fig. 1.

8.3 *Centrifuge Tube, 6-in.*, cone-shaped conforming to dimensions given in Fig. 4 and made of thoroughly annealed glass. The graduations, numbered as shown in Fig. 4, shall be clear and distinct, and the mouth constricted in shape for closure with a cork. Scale error tolerances and smallest graduations between various calibration marks are given in Table 4 and apply to calibrations made with air-free water at 50 C reading the bottom of a shaded meniscus. (This tube has generally been superseded by tubes shown in Figs. 1 and 4, however, its use warrants inclusion in the method.)

8.5 *Permissible Exception*—When mutually agreeable, centrifuge tubes graduated in 200 parts; direct reading in

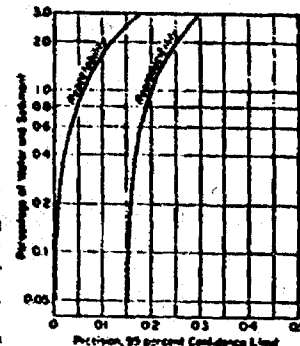


Fig. 3—Precision Curves for Centrifuge Tube Method.

included because of the extensive use of centrifuges of limited diameter.

8.4 *Centrifuge Tube, Pear-Shaped*, con-

TABLE 3—CENTRIFUGE TUBE CALIBRATION TOLERANCES FOR 6-IN. TUBE

Range, ml	Subst. vol., ml	Volume Tolerance, ml
0 to 0.1	0.05	±0.00
Above 0.1 to 0.2	0.05	±0.00
Above 0.2 to 0.5	0.05	±0.00
Above 0.5 to 1.0	0.10	±0.00
Above 1.0 to 2.0	0.10	±0.00
Above 2.0 to 5.0	0.20	±0.00
Above 5.0 to 10.0	0.50	±0.00
Above 10 to 25	1.0	±0.75
Above 25 to 100	2.0	±1.0
at 50, 75, and 100	...	±1.5

forming to dimensions given in Fig. 5 and made of thoroughly annealed glass. The graduations, numbered as shown in Fig. 5 shall be clear and distinct, and the mouth

constricted in shape for closure with a cork. Scale error and tolerances and smallest graduations between various calibration marks are given in Table 4 and apply to calibrations made with air-free water at 50 C reading the bottom of a shaded meniscus. (This tube has generally been superseded by tubes shown in Figs. 1 and 4, however, its use warrants inclusion in the method.)

8.5 *Permissible Exception*—When mutually agreeable, centrifuge tubes graduated in 200 parts; direct reading in

TABLE 4—PEAR-SHAPED CENTRIFUGE TUBE CALIBRATION TOLERANCES

Range, ml	Subst. vol., ml	Volume Tolerance, ml
0 to 1.0	0.1	±0.00
Over 1.0 to 2.0	0.2	±0.00
Over 2.0 to 5.0	0.5	±0.00
Over 5.0 to 10.0	1.0	±0.00
Over 10 to 25	2.0	±0.75
Over 25 to 100	5.0	±1.0

percent water and sediment, may be used and may be 6-in. cone-shaped or pear-shaped. The use of these tubes is limited to testing with equal parts of solvent and oil.

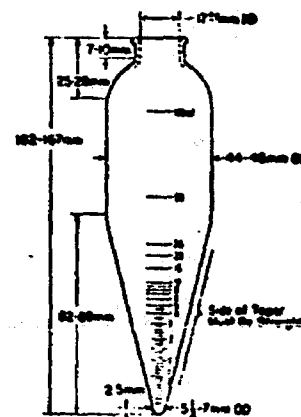


Fig. 4—Six-Inch Centrifuge Tube.

B. Solvent

9.1 The following solvents and demul-

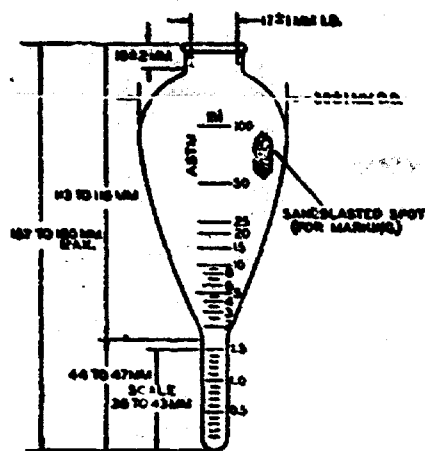


FIG. 3—Pear-Shaped Centrifuge Tube.

others have been reported as satisfactory for acid testing.

Solvent	Demulsifier
Standard solvent	Commercial grade oil demulsifier
Toluene	Phenol
Xylene	Surfactant
Hexane	Hydrocarbon acids
W. 10 gasoline	

9.1.1 Toluene and xylene shall be saturated with water at ambient or room temperature but shall be free of suspended water. Solvents are toxic and care should be exercised in their use. Gasoline containing tetraethyl lead or other additives should never be used. When Standard solvent, hexane, and white gasoline are used they must have similar solvent characteristics with respect to the crude oil being tested.

9.1.2 The use of a demulsifier (resolving agent) with solvents shall be permitted subject to the mutual consent of all parties concerned where tests demonstrate that correct results cannot otherwise be determined. The type and concentration is not limited, provided that the demulsifier itself does not contribute to the water and sediment. Commercial demulsifiers, at a concentration of 7 ml/1000 ml of solvent have been successfully used (Note 2).

10. Procedure

10.1 Fill the centrifuge tube to the 50 ml mark with solvent; then pour the well-shaken sample directly from the container into the tube until the total volume is 100 ml. Stopper the tube and shake until the contents are thoroughly mixed. Immerse the tube in a bath or dry heating device and heat the contents of the tube to 120 F. Where field conditions do not permit the use of sensitive temperature control devices, pocket-type thermometers may be used. In such cases every effort should be made to ensure a reasonably consistent bath temperature for the same oil at each time of testing.

10.1.1 If it contributes to the volume of water and sediment observed, preheat the oil-solvent mixture to 140 F before each whirling; the final temperature of the mixture shall not drop below 115 F. A heated centrifuge may be required to maintain a final temperature of 115 F.

10.2 Invert the tube to assure that the oil and the solvent are uniformly mixed. If shaking is necessary, proceed cautiously because the vapor pressure at 140 F is approximately double that at 100 F. Place tubes in test cups on opposite sides of the centrifuge to estab-

lish a balanced condition, and whirl for 3 to 10 min depending upon the character of the sample, at a rate calculated from the equation given in 3.1, sufficient to produce a relative centrifugal force (rcf) of between 300 and 600 at the tip of the whirling tubes. (For the relationship between diameter of swing, rcf, and rpm, see Table 2.)

10.3 Read and record the combined volume of water and sediment at the bottom of the tube to the nearest 0.05 ml from 0.1 to 1-ml graduation and to the nearest 0.1 above 1-ml graduation. Below 0.1 ml, estimate to the nearest 0.025 ml. If experience with the oil is limited, it is advisable to return the tube to the centrifuge without agitation and repeat the operation.

10.3.1 With certain types of oil it is difficult to obtain a clean break between the oil layer and the separated water. In such cases one or more of the following remedies may be effective: (1) raise the temperature to 130 F; (2) shake the mixture between whirlings in the centrifuge just sufficiently to disperse the emulsion; (3) use a different, or increased amount of demulsifier; however, it should not contribute to the water and sediment; (4) use a different, or increased amount of solvent. After a satisfactory procedure for a particular type of oil has been worked out, it will ordinarily be found suitable for all samples of the same type.

11. Calculation

11.1 Multiply the reading obtained in accordance with the procedure described in 10.1, 10.2, and 10.3 by two and record the results as the percentage of water and sediment. For example, if a reading is 0.025 ml, record the percentage of water and sediment as 0.05. If a reading is 0.15 ml, record the percentage of water and sediment as 0.30. If the results are lower than 0.05 percent, record the percentage of water and sediment as described in 12. Record. When the ratio of solvent to oil is different than 50 percent, the reading obtained in 10.3 must be multiplied by the proper ratio factor in order to obtain the correct percentage of water and sediment.

12. Record

12.1 The record shall include the fol-

13. Precision

13.1.1 The percentage of water and sediment. (Results lower than 0.05 percent reported either as zero or 0.05, whichever is closer.)

13.1.2 The solvent used.

13.1.3 The type of and amount of demulsifier if used.

13.1.4 The bath temperature.

13. Precision

13.1 For methods using the 8-in. cone-shaped tube, as in R. Apparatus, or the 6-in. cone-shaped tube the following criteria should be used for judging the

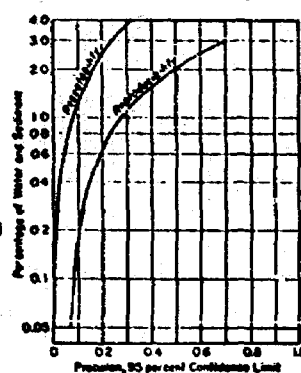


FIG. 6—Precision Curves for 6-in. Centrifuge Tube Method.



FIG. 7—Centrifuge Tube, 12.50-ml Capacity.

acceptability of results (95 percent probability):

13.1.1 Repeatability—Duplicate results by the same operator should be considered suspect if they differ by more than the values shown on the "repeatability" curve (Fig. 6).

13.1.2 Reproducibility—The results submitted by each of two separate parties should be considered suspect if they differ by more than the values shown on the "reproducibility" curve (Fig. 6).

13.2 For the method using pear-shaped tube the following criteria should be used for judging the acceptability of results (95 percent probability):

13.2.1 Repeatability—Duplicate results by the same operator should be con-

TABLE 2—CAPACITY OF 12.50-ML CENTRIFUGE TUBE

Indicated Percentage	Milliliter
1	0.125
2	0.250
3	0.375
4	0.500
5	0.625
10	1.250
15	1.875
20	2.500
25	3.125
30	3.750
35	4.375
40	5.000
45	5.625
50	6.250
55	6.875
60	7.500

sidered suspect if they differ by more than the following:

Water and Sediment (Volume Percent)	Repeatability
0 to 0.5	0.1
0.5 to 1.0	0.2

13.2.2 Reproducibility figures are not available.

METHOD C. FIELD CENTRIFUGE ACTION—12.50-ML TUBE—CRUDE OILS

NOTE 4—This method is used for crude oil in some areas of the United States and is therefore included in the standard.

14. Apparatus

14.1 Centrifuge for Field Use, either hand- or electrically powered, meeting the requirements prescribed in 3.1 (see Table 2).

14.2 Centrifuge Tube, API, 12.50-ml Capacity—The capacity of this tube shall be 12.50 ml in the calibrated portion, with capacity, dimensions, graduations, tolerances, and markings as shown in

Fig. 7 and Tables 2, 6, and 7.

TABLE 6—SPECIFICATIONS FOR 12.50-ML CENTRIFUGE TUBE

Graduations		
0 to 5 percent	0.2 of 1 percent	
5 to 10 percent	0.5 of 1 percent	
10 to 20 percent	1.0 percent	
20 to 100 percent	black	
Specifications		
Length, overall	110 ± 2 mm	
Length, 0 to 20 percent	65 ± 4 mm	
Length, 20 to 100 percent	55 ± 3 mm	
Length, tapered part	54 to 62 mm	
Length, tapered part	55 to 60 mm	
Min thickness	2 to 3 mm, included in overall measurement	
Diameter, top	17 ± 0.25 mm	
Diameter, bottom	at the 0.5 percent marking: 6 ± 1 mm	
Normal thickness	perfect conical bottom	

TABLE 7—TOLERANCES FOR 12.50-ML CENTRIFUGE TUBE

Range, per cent	Tolerance, per cent	Maximum Capacity, ml
0 to 1	±0.1	±0.0025
1 to 5	±0.15	±0.0050
5 to 10	±0.2	±0.0050
10 to 20	±0.3	±0.0050
20 to 30	±0.4	±0.0050
30 to 40	±0.5	±0.0050
40 to 50	±0.6	±0.0050
50 to 60	±0.7	±0.0050
60 to 70	±0.8	±0.0050
70 to 80	±0.9	±0.0050
80 to 90	±1.0	±0.0050
90 to 100	±1.0	±0.0050

14.2.1 Limits of Error, Limit of error (plus or minus tolerance) is based on the total calibrated volume of tube as shown in Table 7. Molded tubes are preferred. Blown tubes that comply with the stipulations on uniform wall thickness are satisfactory. All centrifuge tubes shall be retempered to remove manufacturing strains. The lower end of the centrifuge tube must be clear and perfectly rounded inside, with the same thickness of glass as in the main body of the tube.

15. Solvent

15.1 Solvents and demulsifiers to be used in this method are the same as given in 9. Solvent, for Method B.

16. Procedure

16.1 Fill two tubes (14. Apparatus) to the 50 percent mark, with its solvent, with or without demulsifier and then to the 100 percent mark with the sample of oil to be tested. Stopper the tubes and shake until the contents are thoroughly

16.1.1 After the tubes in the centrifuge and reading at the rate of 1000 rpm for 3 to 10 min, depending upon the character of the sample, remove the tubes and record the combined volume of water and sediment in each tube to the nearest 0.1 percent.

16.1.2 Replace the tubes in the centrifuge and revolve again for from 3 to 10 min. Again record the combined water and sediment. If there is a difference of more than 0.2 percent between the first and second readings, continue centrifuging until two consecutive readings check within 0.2 percent.

17. Calculation

17.1 The sum of the final readings on the two 12.50-ml centrifuge tubes represents the volume percentage of water and sediment in the crude oil tested.

18. Report

18.1 The report shall include:

18.1.1 The percentage of water and sediment.

18.1.2 The solvent used, and

18.1.3 The type and amount of dehydrator if used.

19. Precision

19.1 The precision of this method has

not been established.

Method D. Base Method

20. Procedure

20.1 The sum of the results obtained in accordance with ASTM Method D 95 - API 2560, Test for Water in Petroleum Products and Other Bituminous Materials,¹ and ASTM Method D 473 - API 2561, Test for Sediment in Crude and Fuel Oils by Extraction,¹ shall be assumed to be the correct value for water and sediment. These methods shall be considered as the "base method," and shall be used when agreement cannot be reached between the buyer and seller when using any of the other methods described. The base method shall be considered the standard method of test for crude oils and fuel oils having characteristics not suitable for test by the centrifuge method. The base method shall be used as a criterion to compare the effectiveness of solvents, with or without demulsifiers, used in Methods A, B, and C.

20.2 For crude oils containing sediment in accordance with Method D 473 -

API 2561 in excess of 0.02 weight percent, the results shall be converted to a volume basis because water and sediment values are commonly reported in volume percent. As the major portion of the sediment would probably be sand (silicon dioxide, which has a specific gravity of 2.65) and a small amount of other natural-occurring materials (with a specific gravity lower than that of sand) an arbitrary specific gravity of 2.0 shall be used for the resulting sediment. Then, to obtain volume percent sediment, the weight percent sediment obtained in accordance with Method D 473 - API 2561 shall be divided by two.

21. Calculation

21.1 Calculate the percentage of water in accordance with Method D 95 - API 2560. Convert the weight percentage sediment obtained in accordance with Method D 473 - API 2561 to volume percentage as described. Calculate the volume percentage of water and sediment by adding the two results.

22. Precision

22.1 Water—See Section 8 of Method D 95 - API 2560.

22.2 Sediment—See Section 7 of Method D 473 - API 2561.

¹ Apparent in this publication.

P. O. BOX 2000

SANTA FE, NEW MEXICO 87501

DEPARTMENT	
DIVISION	
SECTION	
UNIT	
DATE	
BY	
REMARKS	

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

PERMIT NUMBER _____

(Operator or Owner) _____

(Address) _____

(Lessee Name if Sediment Oil) _____

(Location - Ul. Sec. Twp. Rge.) _____

(Pool Name, if applicable) _____

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 DATASediment Oil From: ☐ Pit ☐ Celler ☐ 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.

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.

DRAFT

 BEFORE THE
 OIL CONSERVATION COMMISSION
 SANTA FE, NEW MEXICO
 O.C.D. EXHIBIT No. 5
 CASE 7433

DATE OF CLEANING		
PERMIT NO.		
DATE		
TIME		
LOCATION		
OPERATOR		

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

DRAFT

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

By _____

Title _____

Date _____

Distribution: Original to Santa Fe, carbon copy to district office.

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.

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

OCD EXHIBIT No. 6
CASE 7433

OIL CONSERVATION DIVISION

P. O. BOX 2022
SANTA FE, NEW MEXICO 87501

Form C-133

Adapted

NAME OF OPERATOR		
REGISTRATION		
WELL NO.		
DATE		
WELL TYPE		
WELL STATUS		
OPERATOR		

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 _____

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
OCD EXHIBIT No. 7
CASE 7433

D R A F T

30-16-46. Legislative finding.

The legislature finds that thefts of crude petroleum oil are a significant problem in this state, and that due to the fungible nature of the product and difficulty of identification and apprehension, extraordinary measures are necessary.

History: Laws 1981, ch. 257, § 1.
Emergency clauses. — Laws 1981, ch. 257, § 4.

makes the act effective immediately. Approved April 8, 1981.

30-16-47. Documentation required.

A. Any person in possession of crude petroleum oil or any sediment, water or brine produced in association with the production of oil or gas or both for transportation by motor vehicle from or to storage, disposal, processing or refining must also possess specific documentation required by regulation of the oil conservation division of the energy and minerals department, hereinafter in this act [30-45-1 to 30-45-3 NMSA 1978] called "division," which substantiates his right to be in possession of the estimated volume of crude petroleum oil carried in that vehicle. The regulation shall require the documentation to include:

- (1) the identity of the operator and the location of the lease from which the crude petroleum oil or any sediment, water or brine produced in association with the production of oil or gas or both, if it is purportedly being transported from a lease; and
- (2) the identity of the operator of and the location of the storage facility from which or to which the crude petroleum oil or any sediment, water or brine produced in association with the production of oil or gas or both is being transported; and
- (3) the identity of the operator of and the location of the disposal, processing or refining facility to which the crude petroleum oil or any sediment, water or brine produced in association with the production of oil or gas or both is being transported; and
- (4) the estimated percentage of crude petroleum oil in the sediment, water or brine produced in association with the production of oil or gas or both, which is being transported; or
- (5) the volume of crude petroleum oil being transported; and
- (6) any additional information the division finds necessary or convenient.

B. Any person who stores, processes, disposes of or refines any volume of crude petroleum oil must possess specific documentation as prescribed by regulation of the division which substantiates his right to be in possession of the volume of crude petroleum oil he possesses or in possession of an amount of crude petroleum oil which could reasonably justify the amount of processed or refined products produced by him from crude petroleum oil, and in his possession or sold by him.

History: Laws 1981, ch. 257, § 2.
Emergency clauses. — Laws 1981, ch. 257, § 4.

makes the act effective immediately. Approved April 8, 1981.

30-16-48. Penalty; further investigation.

Any person who is found within any geographical area of the state designated by regulation of the division as a crude petroleum oil producing area, in possession of crude petroleum oil, sediment, water or brine produced in association with the production of oil or gas or both, which contains crude petroleum oil, and does not, on a reasonable request of any state police officer or other law enforcement officer as defined in Section 29-7-9 NMSA 1978, produce the required documentation for examination and inspection is guilty of a misdemeanor. If the documentation is produced but differs substantially from the load the transporter is carrying, or differs substantially from crude petroleum oil or processed or refined products produced by him from crude petroleum oil, and in his possession or sold by him, it shall be substantial evidence supporting further investigation by such officer or agent of possible theft of crude petroleum oil.

Dockets Nos. 1-82 and 2-82 are tentatively set for January 6 and January 20, 1982. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - TUESDAY - DECEMBER 22, 1981

OIL CONSERVATION COMMISSION - 9 A.M.
ROOM 205, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

CASE 7390: (Continued and Readvertised)

Application of Harvey E. Yates Company for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down through the Ordovician formation underlying the W/2 of Section 18, Township 9 South, Range 27 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

(The following cases have been continued from December 3, 1981 Commission Hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the following cases. Copies of all rule changes and forms as presently proposed are available for inspection during normal business hours at the main office of the Oil Conservation Division, State Land Office Building, Santa Fe, and at the Division's District Offices in Artesia, Aztec, and Hobbs.

CASE 7433: 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. Pursuant to Section 30-16-48, NMSA 1978 Comp. the Commission would designate Chaves, De Baca, Eddy, Lea, and Roosevelt Counties, and Cibola, McKinley, Rio Arriba, Sandoval, San Juan, and Valencia Counties as Crude Petroleum Oil Producing Areas. Further, in order to facilitate oil theft investigation and provide an improved audit trail for the movement of liquid hydrocarbons, the Commission will consider certain amendments to the Division's Rules relating to the acquisition, movement, and disposition of crude oil and condensate, sediment oil, tank bottoms and other miscellaneous hydrocarbons as well as produced waters. Specifically, the Commission will consider the amendment of Division Rules 310, 311, 312, 1110, 1117, and 1118, and the adoption of new Rules 709, 710, 804, and 1133. Also to be considered will be the revision of existing Forms C-117-A and C-117-B governing the acquisition, movement and disposition of tank bottoms, sediment oil, waste oil and other miscellaneous hydrocarbons, and the adoption of a new Form C-133, Authorization To Move Produced Water.

CASE 7434: The Commission will consider the amendment of Division Rule 112-A to permit the Division's District Supervisors to approve the multiple completion of wells under certain specified conditions and to delete the requirement for notice to offset operators. Form C-107, Application For Multiple Completion, would also be revised. Also to be considered will be the amendment of Rule 303-C to permit the Division Director to approve the downhole commingling, under certain specified conditions, of two or more oil zones, or gas zones, or oil zones and gas zones in the wellbore of a single well.

CASE 7435: The Commission will consider the amendment of Rule 104 of the Oil Conservation Division Rules and Regulations. Specifically, the Commission will consider the amendment of Rule 104 to permit the Division Director to approve unorthodox gas well locations for geological reasons under certain specified conditions in Lea, Chaves, Eddy, and Roosevelt Counties, and the amendment of Rule 104 B Section III to require the dedication of 160 acres to wells projected as gas wells in presumed or known gas producing formations and areas outside Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval Counties.

CASE 7436: The Commission will consider the adoption of a Rule Number for the Definitions Section of the Division's Rules.

Page 2

COMMISSION HEARING - TUESDAY - DECEMBER 22, 1981

CASE 7437: The Commission will consider the amendment of Division Rule 105 to prescribe certain requirements governing the disposition of drill cuttings and drilling fluids.

CASE 7438: The Commission will consider the amendment of Division Rule 1204 to require applicants for hearing to make a reasonable effort to provide notice of hearings to adversely affected persons or, in the alternative, to adversely affected operators.

Docket No. 42-81

DOCKET: EXAMINER HEARING - MONDAY - DECEMBER 23, 1981

9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following case will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

CASE 7450: Application of Kenai Oil and Gas Inc. for a unit agreement, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Ojito Unit Area, comprising 6425 acres, more or less, of Federal and fee lands in Townships 24 and 25 North, Ranges 1 and 2 West.

DOCKET: COMMISSION HEARING - THURSDAY - DECEMBER 3, 1981

**9 A.M. - OIL CONSERVATION COMMISSION - MORGAN HALL
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO**

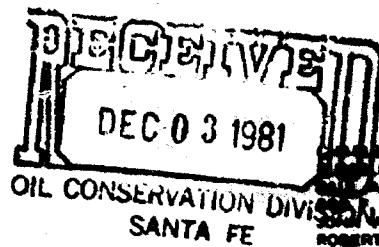
In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the following cases. Copies of all rule changes and forms as presently proposed are available for inspection during normal business hours at the main office of the Oil Conservation Division, State Land Office Building, Santa Fe, and at the Division's District Offices in Artesia, Aztec, and Hobbs.

- CASE 7433:** 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. Pursuant to Section 30-16-48, NMSA 1978 Comp. the Commission would designate Chaves, De Baca, Eddy, Lea, and Roosevelt Counties, and Cibola, McKinley, Rio Arriba, Sandoval, San Juan, and Valencia Counties as Crude Petroleum Oil Producing Areas. Further, in order to facilitate oil theft investigation and provide an improved audit trail for the movement of liquid hydrocarbons, the Commission will consider certain amendments to the Division's Rules relating to the acquisition, movement, and disposition of crude oil and condensate, sediment oil, tank bottoms and other miscellaneous hydrocarbons as well as produced waters. Specifically, the Commission will consider the amendment of Division Rules 310, 311, 312, 1110, 1117, and 1118, and the adoption of new Rules 709, 710, 804, and 1133. Also to be considered will be the revision of existing Forms C-117-A and C-117-B governing the acquisition, movement, and disposition of tank bottoms, sediment oil, waste oil and other miscellaneous hydrocarbons, and the adoption of a new Form C-133, Authorization To Move Produced Water.
- CASE 7434:** The Commission will consider the amendment of Division Rule 112-A to permit the Division's District Supervisors to approve the multiple completion of wells under certain specified conditions and to delete the requirement for notice to offset operators. Form C-107, Application For Multiple Completion, would also be revised. Also to be considered will be the amendment of Rule 303-C to permit the Division Director to approve the downhole commingling, under certain specified conditions, of two or more oil zones, or gas zones, or oil zones and gas zones in the wellbore of a single well.
- CASE 7435:** The Commission will consider the amendment of Rule 104 of the Oil Conservation Division Rules and Regulations. Specifically, the Commission will consider the amendment of Rule 104 A to permit the Division Director to approve unorthodox gas well locations for geological reasons under certain specified conditions in Lea, Chaves, Eddy, and Roosevelt Counties, and the amendment of Rule 104 B Section III to require the dedication of 160 acres to wells projected as gas wells in presumed or known gas producing formations and areas outside Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval Counties.
- CASE 7436:** The Commission will consider the adoption of a Rule Number for the Definitions Section of the Division's Rules.
- CASE 7437:** The Commission will consider the amendment of Division Rule 105 to prescribe certain requirements governing the disposition of drill cuttings and drilling fluids.
- CASE 7438:** The Commission will consider the amendment of Division Rule 1204 to require applicants for hearings to make a reasonable effort to provide notice of hearings to adversely affected persons or, in the alternative, to adversely affected operators.

DOCKET NO. 38-81 FOR THE EXAMINER HEARING TO BE HELD ON DECEMBER 2, 1981, WILL BE MAILED UNDER SEPARATE COVER.

ATWOOD, MALONE, MANN & COOTER
A PROFESSIONAL ASSOCIATION
LAWYERS

JEFF D. ATWOOD [1953-1980]
ROSS L. MALONE [1910-1974]



JOHN F. MALONE
JEFF D. MANN
ROSS L. MALONE
PAUL A. COOTER
JOHN W. TURNER
JOHN W. BASSETT
ROBERT E. SAMP
BRIAN W. COPPLE

P. O. DRAWER 700
SECURITY NATIONAL BANK BUILDING
ROSWELL, NEW MEXICO 88201
[505] 822-8221

STEVEN L. GELL
WILLIAM P. LYNCH
RODNEY M. SCHUMACHER
R. TRACY SPROLS

November 30, 1981

Mr. Joe Ramey
Secretary-Director
Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

RE: Examiner Hearing - Thursday, December 3, 1981
Docket No. 39-81
Cases Nos. 7433, 7434, 7435, 7436, 7437 and 7438

Dear Mr. Ramey:

Enclosed for filing is an Entry of Appearance for
Amoco Production Company in the above listed cases.

Your assistance in this matter is appreciated.

Very truly yours,

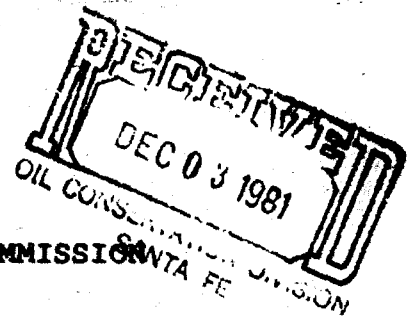
A handwritten signature in dark ink, appearing to read "Paul Cooter", written over a horizontal line.

Paul Cooter

PC/le

Enc.

cc: C. A. Mote, Esq.



BEFORE THE OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING)
CALLED BEFORE THE OIL CONSERVATION)
COMMISSION ON ITS OWN MOTION TO)
CONSIDER THE FOLLOWING CASES:)
CASES NOS. 7433, 7434, 7435,)
7436, 7437 AND 7438.)

DOCKET No. 39-81

ENTRY OF APPEARANCE

The undersigned hereby enter their appearance on
behalf of Amoco Production Company with C. A. Mote of Houston,
Texas.

ATWOOD, MALONE, MANN & COOTER, P.A.

By 

P. O. Drawer 700
Roswell, New Mexico 88201

(1)

Hearing

In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the following cases. ~~THE~~ Copies of all rules, changes and forms are presently prepared and available for inspection during normal business hours at the main office of the Oil Conservation Division, Main Land Office Building, Santa Fe, and at the Division's District Offices in Cortina, Aztec, and Hobbs.

"Cell" means Lea, Chavez, Roosevelt, Eddy, San Juan, Sandoval, Rio Arriba, McKinley, Union, and Quay.

②

✓ Case 7433

Lee
Eddy
Roosevelt
De Baca
McKinley
Cibola
Sandoval
Valencia

McKinley
Cibola
Sandoval

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. Pursuant to Section 30-1648, NMCA 1978 Chap. the Commission would designate Chavez, De Baca, Eddy, Lea, and Roosevelt Counties, and Cibola, McKinley, Rio Arriba, Sandoval, San Juan, and Valencia Counties as Crude Petroleum Oil Producing Areas. Further, in order to facilitate oil theft investigation and provide an improved audit trail for the movement of liquid hydrocarbons, the Commission will consider certain amendments to the Division's Rules relating to the acquisition, movement, and disposition of crude oil and condensate, sediment oil, tank bottoms and other miscellaneous hydrocarbons as well as produced waters. Specifically, the Commission will consider the amendment of ~~of Rules~~ Division Rules 310, 311, 312, 1110, 1117, and 1118, and the adoption of new Rules 709, 710, ^{804,} and ^{1133.} Also, ^{to be considered will be} the revision of existing Forms C-117-A and C-117-B governing the acquisition, movement, and disposition of tank bottoms sediment oil.

rock oil and other mineral means by the
carbon, and the adoption of a new
Form C-133, Authorization To Move Product
Water

Case 7434

all

The Commission will consider the amendment of Rule Division Three 112-A to permit the Division's District Supervisors to approve the multiple completion of wells under certain specified conditions and to delete the requirement for notice to affected operators. ^{30 days C-107, Application for Multiple Completion, Original also be revised.} Also to be considered will be the amendment of Rule 303 C to permit the Division Director to approve the downhole commingling, under certain specified conditions, of two or more oil zones, or gas zones, or oil zones and gas zones in the wellbore of a single well.

HERBIE
DICK

WIP JOR

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION

Ryl

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 _____ 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 ^{presented 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, ~~requires, in part, that~~ the Oil Conservation Division ~~(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.

(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, ~~thereat~~

(6) That owners and operators should be given a reasonable period of time ~~(six months)~~ 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~~
~~and requirements~~ 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

(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 operator or~~

identifies the operator or owner thereof,

~~owner~~ identifies the lease or facility from which the liquid was removed including ^{its} location, ^{of the fluids,} gives the date of removal, ^{gives} and 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.

(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.

(5) 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 above act~~ ~~said~~ 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.

(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

TANKS

RULE 110. 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} July 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."

Exhibit "A"

Order No R _____

"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 ~~Division~~. 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 ~~Division~~ 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 Code for Measuring, Sampling, and Testing Crude Oil, Number 25, Section 6. Other test procedures may be used if such procedures reliably predict the percentage of good oil to be recovered from sediment oil.

API Manual of Petroleum Measurement Standards, Chapter 10, Section 4.

(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 ~~community~~ 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 ~~extended~~ emergencies, the district supervisor may authorize the ~~unlimited~~ movement of miscellaneous hydrocarbons to a treating plant or other facilities ~~and~~ during the period of the emergency and shall approve a Form C-117-A filed subsequent to the conclusion of such emergency ~~and~~ covering the entire volume of miscellaneous hydrocarbons transported."

Exhibit "B"
Order No R—

Page 1

"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 Code for Measuring, Sampling, and Testing Crude Oil, Number 25, Section 5~~. Other test procedures may be used if such procedures reliably predict the percentage of good oil to be recovered from sediment oil."

*API Manual of Petroleum Measurement Standards,
Chapter 10, Section 4.*

"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 C-118 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."

Exhibit B

Order No R

Page 2

NO. OF COPIES DESIRED	
DISTRIBUTION	
SANTA FE	
FILE	
U.S.S.	
LAND OFFICE	
OPERATOR	

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

PERMIT NUMBER _____

(Operator or Owner) _____

(Address) _____

(Leave Blank if Sediment Oil)

(Location - Ul. Sec. Twp. Rge.) _____

(Pool Name, if applicable) _____

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.]

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.

Exhibit "C-1"

Order No R-

DRAFT

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
OCC EXHIBIT NO. 5

NO. OF TANKS AND PITS		
RECLAMATION		
LAND OIL		
WATER		
LAND OIL		
LAND OIL		
LAND OIL		

P. O. BOX 2000
SANTA FE, NEW MEXICO 87501

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

DRAFT

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

By _____

Title _____

Date _____

Distribution: Original to Santa Fe, carbon copy to district office.

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.

Exhibit ~~CCO~~ "C-2"
Order No R _____

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
CCO EXHIBIT No. 6
CASE 7433

"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)."

Exhibit "C-3"
Order No R _____

To an opposite page 104 and shall
RULE 804. DOCUMENTATION REQUIRED

off here
A. All transportation of crude oil or lease condensate by motor vehicle 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.

off here
leg. form 117-R.
B. All 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. 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, and the destination.
The volume or estimated volume of liquids,

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."

Exhibit D
Order No R—

Documentation of the movement of produced water by motor vehicle may be handled with minimum paperwork and disruption by adoption of the following proposed rules:

"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.

Transportation of
(b) ~~No transporter shall move~~ 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.*

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

C-133

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

"RULE 710. DISPOSITION OF TRANSPORTED PRODUCED WATER

person transporting
(a) No ~~transporter~~ of 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, 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 1100 is proposed to be amended to reflect new Form C-133 and a new Rule 1133 will be proposed as follows:~~

"RULE 1133. AUTHORIZATION TO MOVE PRODUCED WATER

person who is a
Each ~~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."

Exhibit E
Order No R

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

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

Form C-133
Adapted

NO. OF APPROVED OPERATIONS		
DISTRIBUTION		
LAND AREA		
WATER		
WATER		
WATER		
OPERATION		

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 _____

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
CASE 7433 EXHIBIT No. 7

DRAFT

