

## Ross, Stephen

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**From:** Brooks, David K  
**Sent:** Monday, December 23, 2002 9:12 AM  
**To:** Martinez, Sally  
**Cc:** Ezeanyim, Richard; Ross, Stephen  
**Subject:** surface commingling rule

Sally

Attached is my effort to produce a formal draft of the surface commingling rule as enacted by the Commission on December 13.



19.015.0005.htm

Please review and correct and send to Records. If I can be of any help in that process, do not hesitate to call on me.

DB

**TITLE 19           NATURAL RESOURCES & WILDLIFE**  
**CHAPTER 15       OIL AND GAS**  
**PART 5            OIL PRODUCTION OPERATING PRACTICES**

**19.15.5.1           ISSUING AGENCY: Energy, Minerals and Natural Resources Department**  
 [2-1-96; 19.15.5.1 NMAC - Rn, 19 NMAC 15.E.1, 5-15-00]

**19.15.5.2           SCOPE:** All persons/entities engaged in oil and gas development and production within New Mexico.  
 [2-1-96; 19.15.5.2 NMAC - Rn, 19 NMAC 15.E.2, 5-15-00]

**19.15.5.3           STATUTORY AUTHORITY:** Sections 70-2-1 through 70-2-38 NMSA 1978 sets forth the Oil and Gas Act which grants the Oil Conservation Division jurisdiction and authority over all matters relating to the conservation of oil and gas, the prevention of waste of oil and gas and of potash as a result of oil and gas operations, the protection of correlative rights, and the disposition of wastes resulting from oil and gas operations.  
 [2-1-96; 19.15.5.3 NMAC - Rn, 19 NMAC 15.E.3, 5-15-00]

**19.15.5.4           DURATION:** Permanent  
 [2-1-96; 19.15.5.4 NMAC - Rn, 19 NMAC 15.E.4, 5-15-00]

**19.15.5.5           EFFECTIVE DATE:** February 1, 1996, unless a later date is cited at the of a section.  
 [2-1-96; 19.15.5.5 NMAC - Rn, 19 NMAC 15.E.5, 5-15-00]

**19.15.5.6           OBJECTIVE:** To regulate the production of oil to enable the Oil Conservation Division to fulfill its statutory mandates under the Oil and Gas Act.  
 [2-1-96; 19.15.5.6 NMAC - Rn, 19 NMAC 15.E.6, 5-15-00]

**19.15.5.7           DEFINITIONS:** Reserved. See 19.15.1.7 NMAC.

**19.15.5.8-300       RESERVED**

**19.15.5.301        GAS-OIL RATIO AND PRODUCTION TESTS:**

A. Each operator shall take a gas-oil ratio test no sooner than 20 days nor later than 30 days following the completion or recompletion of each oil well, if:

(1) the well is a wildcat, or  
 (2) the well is located in a pool which is not exempt from the requirements of this rule. Wells completed within one mile of the outer boundary of a defined oil pool producing from the same formation shall be governed by the provisions of this rule which are applicable to the pool. The results of the test shall be reported to the Division on Form C-116 within 10 days following completion of the test. The gas-oil ratio thus reported shall become effective for proration purposes on the first day of the calendar month following the date they are reported.

(3) Each operator shall also take an annual gas-oil ratio test of each producing oil well, located within a pool not exempted from the requirements of this rule, during a period prescribed by the Division. A gas-oil ratio survey schedule shall be established by the Division setting forth the period in which gas-oil ratio tests are to be taken for each pool wherein a test is required. The gas-oil ratio test shall be such test designated by the Division, made by such method and means, and in such manner as the Division in its discretion may prescribe from time to time.

B. The results of gas-oil ratio tests taken during survey periods shall be filed with the Division on Form C-116 not later than the 10<sup>th</sup> of the month following the close of the survey period for the pool in which the well is located. The gas-oil ratios thus reported shall become effective for proration purposes on the first day of the second month following the close of the survey period. Unless Form C-116 is filed within the required time limit, no further allowable will be assigned the affected well until Form C-116 is filed.

C. In the case of special tests taken between regular gas-oil ratio surveys, the gas-oil ratio shall become effective for proration purposes upon the date Form C-116, reporting the results of such test, is received by the Division. A special test does not exempt any well from the regular survey.

D. During gas-oil ratio test, no well shall be produced at a rate exceeding top unit allowable for the pool in which it is located by more than 25 percent.

E. The Director shall have the authority to exempt such pools as he may deem proper from the gas-oil ratio test requirements of this rule. Such exemption shall be by executive order directed to all operators in the pool being exempted.

F. The Director shall have the authority to require annual productivity tests of all oil wells in pools exempt from gas-oil ratio tests, during a period prescribed by the Division. An oil well productivity survey schedule shall be established by the Division setting forth the period in which productivity tests are to be taken for each pool wherein such tests

are required.

G. The results of productivity tests taken during survey periods shall be filed with the Division on Form C-116 (with the word "Exempt" inserted in the column normally used for reporting gas production) not later than the 10<sup>th</sup> of the month following the close of the survey period for the pool in which the well is located. Unless Form C-116 is filed within the required time limit, no further allowable will be assigned the affected well until Form C-116 is filed.

H. In the case of special productivity tests taken between regular test survey periods, which result in a change of allowable assigned to the well, the allowable change shall become effective upon the date the Form C-116 is received by the proration department. A special test does not exempt any well from the regular survey.

I. During the productivity test, no well shall be produced at a rate exceeding top unit allowable for the pool in which it is located by more than 25 percent.

[1-1-50...2-1-96; 19.15.5.301 NMAC - Rn, 19 NMAC 15.E.301, 5-15-00]

**19.15.5.302 SUBSURFACE PRESSURE TESTS:** The operator shall make a subsurface pressure test on the discovery well of any new pool hereafter discovered, and shall report the results thereof to the Division within 30 days after the completion of such discovery well. On or before December 1 of each calendar year the Division shall designate the months in which subsurface pressure tests shall be taken in designated pools. Included in the designated list shall be listed the required shut-in pressure time and datum of tests to be taken in each pool. In the event a newly discovered pool is not included in the Division's list, the Division shall issue a supplementary Bottom Hole Pressure Schedule. Tests as designated by the Division shall only apply to flowing wells in each pool. This test shall be made by a person qualified by both training and experience to make such test, and with an approved subsurface pressure instrument which shall be calibrated against an approved dead-weight tester at intervals frequent enough to ensure its accuracy within one percent. Unless otherwise designated by the Division all wells shall remain completely shut in for at least 24 hours prior to the test. In the event a definite datum is not established by the Division the subsurface determination shall be obtained as close as possible to the mid-point of the productive sand of the reservoir. The report shall be on Form C-124 and shall state the name of the pool, the pool datum (if established), the name of the operator and lease, the well number, the wellhead elevation above sea level, the date of the test, the total time the well was shut in prior to the test, the subsurface temperature in degrees Fahrenheit at the test depth, the depth in feet at which the subsurface pressure test was made, the observed pressure in pounds per square inch gauge (corrected for calibration and temperature), the corrected pressure computed from applying to the observed pressure the appropriate correction for difference in test depth and reservoir datum plane and any other information as required by Form C-124.

[1-1-50...2-1-96; 19.15.5.302 NMAC - Rn, 19 NMAC 15.E.302, 5-15-00]

#### **19.15.5.303 SEGREGATION OF PRODUCTION FROM DIFFERENT POOLS OR LEASES:**

##### **A. In General**

(1) Pool Segregation Required - Each pool shall be produced as a single common source of supply, and wells therein shall be completed, cased, maintained, and operated so as to prevent communication within the wellbore with any other ~~specific pool or horizon~~. ~~The production~~ Oil, gas, or oil and gas produced from each pool shall at all times be segregated, and the combination or commingling ~~or confusion~~ of production, before marketing, with production from any other pool ~~or pools~~ without division approval is ~~strictly~~ prohibited.

(2) Lease Segregation Required - Oil, gas, or oil and gas shall not be transported from a lease until it has been accurately measured or determined by other methods acceptable to the division. The production from each lease shall at all times be segregated, and the combination or commingling of production, before marketing, with production from any other lease without division approval is prohibited.

(3) Exceptions. Exceptions to paragraphs (1) and (2) of this subsection may be permitted for surface commingling, downhole commingling and off-lease storage and/or measurement pursuant to subsections B, C and D, respectively, of this section. Exceptions granted by previous orders of the division remain in effect in accordance with their terms and conditions.

##### **B. Surface Commingling - Oil, Gas or Oil and Gas**

(1) Introduction - To prevent waste, to promote conservation and to protect correlative rights, the division ~~The Director~~ shall have the authority to grant ~~an exceptions to Rule 203A~~ to permit the commingling of oil, gas or oil and gas in common facilities ~~of the commonly owned production~~ from two or more pools ~~common sources of supply~~, two or more leases or combinations of pools and leases ~~without notice and hearing, provided that the liquid hydrocarbon production from each common source of supply is to be accurately measured or determined prior to such commingling in accordance with the applicable provisions of the Division's "Manual for the Installation and Operation of Commingling Facilities," then~~ ~~current~~ provided that:

(a) the method used to allocate the production to the various leases or pools to be commingled is approved by the division;

(b) if federal, indian or state lands are involved, the United States bureau of land management or the commissioner of public lands for the State of New Mexico (as applicable) has been notified of the proposed commingling; and

(c) all other applicable requirements set out in this subsection are met.

(2) ~~Application for administrative approval to commingle the production from two or more common sources of supply shall be filed in triplicate with the Santa Fe Office of the Division. The application must contain detailed data as to the gravities of the liquid hydrocarbons, the values thereof, and the volumes of the liquid hydrocarbons production from each pool, as well as the expected gravity and value of the commingled liquid hydrocarbons production; a schematic diagram of the proposed installation; a plat showing the location of all wells on the applicant's lease and the pool from which each well is producing. The application shall also state specifically whether the actual commercial value of such commingled production will be less than the sum of the values of the production from each common source of supply and, if so, how much less.~~ Definitions - For purposes of this section only, the following definitions shall apply:

(a) Lease. "Lease" means a contiguous geographical area of identical ownership overlying a pool or portion of a pool. An area pooled, unitized or communitized, either by agreement or by division order, or a participating area shall constitute a lease. If there is any diversity of ownership between different pools, or between different zones or strata, then each such pool, zone or stratum having such diverse ownership shall be considered a separate lease.

(b) Diverse Ownership. "Diverse Ownership" exists if leases or pools have any different working, royalty or overriding royalty interest owners or any different ownership percentages of the same working, royalty or overriding royalty interest owners.

(c) Identical Ownership. "Identical Ownership" exists if leases or pools have all the same working, royalty and overriding royalty owners in exactly the same percentages.

(3) ~~Where State and Federal lands are involved, applicant shall furnish evidence that the Commissioner of Public Lands for the State of New Mexico or the Regional Supervisor of the United States Bureau of Land Management has consented to the proposed commingling.~~ Specific Requirements and Provisions for Commingling of Leases, Pools or Leases and Pools with Identical Ownership

(a) Measurement and Allocation Methods

(i) Well Test Method - If all wells or units to be commingled are marginal and are physically incapable of producing the top unit allowable for their respective pools, or if all affected pools are unprorated, commingling shall be permitted without separately measuring the production from each pool or lease. Instead, the production from each well and from each pool or lease may be determined from well tests conducted periodically, but no less than annually. The well test method shall not apply to wells or units that can produce an amount of oil equal to the top unit allowable for the pool but are restricted because of high gas-oil ratios.

The operator of any such marginal commingling installation shall notify the division at any time any well or unit so commingled under this subsection becomes capable of producing the top unit allowable for its pool, at which time the division shall require separate measurement.

(ii) Metering Method - Production from each pool or lease may be determined by separately metering before commingling.

(iii) Subtraction Method - If production from all except one of the pools or leases to be commingled is separately measured, the production from the remaining pool or lease may be determined by the subtraction method as follows: For oil, the net production from the unmetered pool or lease shall be the difference between the net pipeline runs with the beginning and ending stock adjustments and the sum of the net production of all metered pools or leases. For gas, the net production from the unmetered pool or lease shall be the difference between the volume recorded at the sales meter and the sum of the volumes recorded at the individual pool or lease meters.

(iv) Top Allowable Producers - If any well or unit in a prorated pool to be commingled can physically be produced at top unit allowable rates (even if restricted because of high gas-oil ratios), commingling may be permitted only if the production from such unit is metered prior to commingling, or determined by the subtraction method.

(v) Alternative Methods - Production from each pool or lease to be commingled may also be determined by any other method specifically approved by the division prior to commingling. The division shall determine what evidence is necessary to support any request to use an alternative method.

(b) Approval Process. Prior to commingling, the applicant shall notify the division by filing form C-103 (sundry notices and reports on wells) in the Santa Fe office with the following information set forth therein or attached thereto:

(i) Identification of each of the leases, pools or leases and pools to be commingled;

(ii) The method of allocation to be used. If the well test method is proposed for production from a prorated pool, the notification to the division shall be accompanied by a tabulation of production showing that the average daily production of any affected proration unit over a 60-day period has been below the top unit allowable for the subject pool (or for any newly drilled well without a 60-day production history, a tabulation of the available production) or other evidence acceptable to the division to establish that the well or wells on such unit are not capable of producing the top unit allowable. If the proposed method of allocation is other than an approved method provided in this section, the operator shall submit evidence of the reliability of such method;

(iii) A certification by a licensed attorney or qualified petroleum landman that the ownership in all pools and leases to be commingled is identical as defined in this section; and

(iv) Evidence of notice to the state land office and/or the United States bureau of land management, if required.

Commingling may be authorized without any notice or hearing and may be commenced upon approval of form C-103 by the division, subject to compliance with any conditions of such approval noted by the division; provided however that commingling involving any state, federal or tribal leases shall not be commenced unless or until approved by the state land office or the United States bureau of land management, as applicable.

(4) Specific Requirements and Provisions for Commingling of Leases, Pools or Leases and Pools with Diverse Ownership,

(a) Measurement and Allocation Methods - Where there is diversity of ownership between two or more leases, two or more pools, or between different pools and leases, the surface commingling of production therefrom shall be permitted only if production from each of such pools or leases is accurately metered, or determined by other methods specifically approved by the division, prior to such commingling.

(b) Meter Proving and Calibration Frequencies.

(i) Oil - Each meter used in oil production accounting shall be tested for accuracy as follows:

- monthly, if more than 100,000 barrels of oil per month are measured through the meter;
- quarterly, if between 10,000 and 100,000 barrels of oil per month are measured through the meter; and
- semi-annually, if less than 10,000 barrels of oil per month are measured through the meter.

(ii) Gas - For each gas sales and allocation meter, the accuracy of the metering equipment at the point of delivery or allocation shall be tested following the initial installation and following repair and retested:

- quarterly, if 100 thousand cubic feet of gas per day ("mcfcpd") or more are measured through the meter; and
- semi-annually, if less than 100 mcfcpd are measured through the meter.

(iii) Correction and Adjustment - If a meter proving and calibration test reveals inaccuracy in the metering equipment of more than two percent (2%), the volume measured shall be corrected and the meter adjusted to zero error. The operator shall submit a corrected report adjusting the volume of oil or gas measured and showing all calculations made in correcting the volumes. The volumes shall be corrected back to the time the inaccuracy occurred, if known. If the time is unknown, the volumes shall be corrected for the last half of the period elapsed since the date of the last calibration. If a test reveals an inaccuracy of less than 2%, the meter shall be adjusted, but correction of prior production shall not be required.

(c) Low Production Gas Wells - For gas wells producing less than 15 mcfcpd, estimation of production is an acceptable alternative to individual well measurement provided that commingling of production from different pools or leases does not take place unless otherwise authorized pursuant to this section.

(d) Approval Process.

(i) In General - Where there is diversity of ownership, the division may grant an exception to the requirements of subsection 303.A to permit surface commingling of production from different leases, pools or leases and pools only after notice and an opportunity for hearing as provided in this subparagraph.

(ii) Application - An application for administrative approval shall be submitted to the division's Santa Fe office on form C-107-B and shall contain a list of all parties (hereinafter called "interest owners") owning any interest in any of the production to be commingled (including owners of royalty and overriding royalty interests whether or not they have a right or option to take their interests in kind) and a method of allocating production to ensure the protection of correlative rights.

(iii) Notice - Notice shall be given to all interest owners in accordance with 19.15.N.1207.A NMAC. The applicant shall submit a statement attesting that applicant, on or before the date the application was submitted to the division, sent notification to each of the interest owners by submitting a copy of the application and all attachments thereto, by certified mail, return receipt requested, and advising them that any objection must be filed in writing with the Santa Fe office of the division within 20 days from the date the division received the application. The division may approve the application administratively, without hearing, upon receipt of written waivers from all interest owners, or if no such owner has filed an objection within the 20-day period. If any objection is received, the application shall be set for hearing. Notice of the hearing shall be given to the applicant, to any party who has filed an objection, and to such other parties as the division shall direct.

(iv) Hearing Ordered by the Division - The division may set for hearing any application for administrative approval of surface commingling, and, in such case, notice of such hearing shall be given in such manner as the division shall direct.

(v) Notice by Publication - When an applicant has been unable to locate all interest owners after exercising reasonable diligence, notice shall be provided by publication, and proof of publication shall be submitted with the application. Such proof shall consist of a copy of the legal advertisement that was published in a newspaper of general circulation in the county or counties in which the commingled production is located. The contents of such advertisement shall include (a) the name, address, telephone number, and contact party for the applicant, (b) the location by section, township and range of the leases from which production will be commingled and the location of the commingling facility; (c) the source of all commingled production by pool name, and (d) a notation that interested parties must file objections or requests for hearing in writing with the oil conservation division's Santa Fe office, within 20 days after publication, or the Division may approve the application.

(vi) Effect of Protest - All protests and requests for hearing received by the division shall be included in the case file; provided however, the protest will not be considered by the division as evidence. If the protesting party does not appear at the hearing, the application may be granted without the division receiving additional evidence in support thereof.

(vii) Additions - A surface commingling order may authorize, prospectively, the inclusion therein of additional pools and/or leases within defined parameters set forth in the order, provided that (a) the notice to the interest owners has included a statement that authorization for subsequent additions is being sought and of the parameters for such additions proposed by the applicant, and (b) the division finds that subsequent additions within defined parameters will not, in reasonable probability, reduce the value of the commingled production or otherwise adversely affect the interest owners. A subsequent application to amend an order to add to the commingled production other leases, pools or leases and pools that are within the defined parameters shall require notice only to the owners of interests in the production to be added, unless the division otherwise directs.

(viii) State, Federal or Tribal Lands. Notwithstanding the issuance of an exception under this subsection, no commingling involving any state, federal or tribal leases shall be commenced unless or until approved by the state land office or the United States bureau of land management, as applicable.

#### C. Downhole Commingling

(1) The Director may grant an exception to Rule 303A to permit the commingling of multiple producing pools in existing or proposed wellbores when the following conditions are met:

(a) the fluids from each pool are compatible and combining the fluids will not result in damage to any of the pools;

(b) the commingling will not jeopardize the efficiency of present or future secondary recovery operations in any of the pools to be commingled;

(c) the bottom perforation of the lower zone is within 150% of the depth of the top perforation in the upper zone and the lower zone is at or below normal pressure with normal pressure assumed to be 0.433 psi per foot of depth. If the pools to be commingled are not within this vertical interval, then evidence will be required to demonstrate that commingling will not result in shut-in or flowing wellbore pressures in excess of the fracture parting pressure of any commingled pool. The fracture parting pressure shall be assumed to be 0.65 psi per foot of depth unless the applicant submits other measured or calculated pressure data acceptable to the Division;

(d) the commingling will not result in the permanent loss of reserves due to cross-flow in the wellbore;

(e) fluid-sensitive formations that may be subject to damage from water or other produced liquids shall be protected from contact with such liquids produced from other pools in the well;

(f) if any of the pools being commingled is prorated, or the well's production has been restricted by Division order in any manner, the allocated production from each producing pool in the commingled wellbore shall not exceed the top oil or gas allowable rate for a well in that pool or rate restriction applicable to such well;

(g) the commingling will not reduce the value of the total remaining production; and

(h) correlative rights will not be violated.

(2) The Director may rescind authority to commingle production in a wellbore and require the pools to be produced separately if, in the Director's opinion, waste or reservoir damage is resulting, correlative rights are being impaired or the efficiency of any secondary recovery project is being impaired, or any changes or conditions render the installation no longer eligible for downhole commingling.

(3) When the conditions set forth in Rule 303C(1) are satisfied, the Director may approve a request to downhole commingle production in one of the following ways:

(a) **Individual exceptions:** Applications to downhole commingle in wellbores located outside of an area subject to a downhole commingling order issued in a "reference case" and not within a pre-approved pool or area shall be filed on Division Form C-107-A with the Division.

(i) The Director may administratively approve a Form C-107-A application in the absence of a valid objection filed within 20-days after receipt of the application by the Division if, in the Director's opinion, waste will not occur and correlative rights will not be impaired.

(ii) In those instances where the ownership or percentages between the pools to be commingled is not identical, applicant shall send a copy of Form C-107-A to all interest owners in the spacing unit by certified mail (return receipt).

(iii) Applicant shall send copies of Form C-107-A to the Commissioner of Public Lands for the State of New Mexico for wells in spacing units containing state lands or the Bureau of Land Management for wells in spacing units containing federal lands.

(iv) The Director may set any administratively filed Form C-107-A application for hearing.

#### (b) **Exceptions for wells located in pre-approved pools or areas:**

Applications to downhole commingle in wellbores within pools or areas that have been established by the Division as "pre-approved pools or areas" pursuant to Rule 303C(4)(b) shall be filed on Form C-103 (Sundry Notice of Intent) at the appropriate Division District Office. The supervisor of the appropriate Division District Office may approve the proposed downhole commingling following receipt of Form C-103.

In addition to the information required by Form C-103, the applicant shall include:

- (i) number of Division order that established pre-approved pool or area;
- (ii) names of pools to be commingled;
- (iii) perforated intervals;
- (iv) allocation method and supporting data;
- (v) a statement that the commingling will not reduce the value of the total remaining production;
- (vi) in those instances where the ownership or percentages between the pools to be commingled is

not identical, a statement attesting that applicant sent notice to all interest owners in the spacing unit by certified mail (return receipt) of its intent to apply for downhole commingling and no objection was received within 20 days of sending this notice; and

(vii) a statement attesting that applicant sent a copy of the Division Form C-103 to the Commissioner of Public Lands for the State of New Mexico for wells in spacing units containing state lands or the Bureau of Land Management for wells in spacing units containing federal lands using Sundry Notice Form 3160-5.

(c) **Exceptions for wells located in areas subject to a downhole commingling order issued in a "reference case":** Applications to downhole commingle in wellbores within an area subject to a Division order that excepted any of the criteria required by Rule 303C or Division Form C-107-A shall be filed with the supervisor of the appropriate Division District Office and, except for the place of filing, shall meet the requirements of the applicable order issued in that "reference case".

(4) Applications for establishing a "reference case" or for pre-approval of downhole commingling on an area-wide or pool-wide basis:

(a) **Reference cases:** If sufficient data exists for a lease, pool, formation, or geographical area to render it unnecessary to repeatedly provide such data on Form C-107-A, an operator may except any of the various criteria required under Rule 303C or set forth in Form C-107-A by establishing a "reference case." The Division, upon its own motion or application from an operator, may establish "reference cases" either administratively or by hearing. Upon Division approval of such "reference cases" for specific criteria, subsequent Form C-107-A applications to downhole commingle will be required only to cite the Division order number that established such exceptions and shall not be required to submit data for those criteria. Cases involving exceptions to the specific criteria required by Rule 303C or by Division Form C-107-A may be approved by the Division after notice sent to all interest owners in the affected spacing units by certified mail (return receipt) and based on evidence that such approval would adequately satisfy the conditions of Rule 303C(1).

(b) **Pre-approval of downhole commingling on a pool-wide or area-wide basis:** If sufficient data exists for multiple formations or pools that have previously been commingled or are proposed to be commingled, the Division, upon its own motion or application from an operator, may establish downhole commingling on a pool-wide or area-wide basis either administratively or by hearing:

(i) Applications for pre-approval shall include all of the data required by Division Form C-107-A, a list of the names and address of all operators in the pools, all previous orders authorizing downhole commingling for the pools or area, and a map showing the location of all wells in the pools or area and indicating those wells approved for downhole commingling.

(ii) Applications for pre-approval of downhole commingling on a pool-wide or area-wide basis may be approved by the Director after notice sent to operators in the affected pools or area by certified mail (return receipt) and based on evidence that such approval would adequately satisfy the conditions of Rule 303C.

(iii) Upon approval of certain pools or areas for downhole commingling, subsequent applications for approval to downhole commingle wells within those pools or areas may be obtained by filing a Division Sundry Notice (Form C-103) in accordance with the procedure set forth in Rule 303C(3)(b).

(c) The Division will maintain and continually update a list of pre-approved pools or areas as set forth in Rule 303C(5).

(5) **Pre-approved pools and areas:** Downhole commingling is hereby approved within the described pool combinations or geographical areas set forth in Exhibit "A," provided, however, that the operator shall file Form C-103 (Sundry Notice of Intent) with the appropriate Division District office in accordance with the procedure set forth in Rule 303C(3)(b).

#### **Pre-Approved Pools or Geographic Areas for Downhole Commingling, Permian Basin**

All Blinebry, Tubb, Drinkard, Blinebry-Tubb, Blinebry-Drinkard & Tubb-Drinkard pool combinations within the following described geographic area in Lea County:

Township 18 South, Ranges 37, 38 and 39 East;	Township 23 South, Ranges 36, 37 and 38 East;
Township 19 South, Ranges 36, 37, 38 and 39 East;	Township 24 South, Ranges 36, 37 and 38 East;
Township 20 South, Ranges 36, 37, 38 and 39 East;	Township 25 South, Ranges 36, 37 and 38 East;
Township 21 South, Ranges 36, 37 and 38 East;	Township 26 South, Ranges 36, 37 and 38 East;
Township 22 South, Ranges 36, 37 and 38 East;	

#### **Blinebry Pools**

6660 Blinebry Oil & Gas Pool (Oil)	34200 Justis-Blinebry Pool
72480 Blinebry Oil & Gas Pool (Pro Gas)	46990 Monument-Blinebry Pool
6670 West Blinebry Pool	47395 Nadine-Blinebry Pool
12411 Cline Lower Paddock-Blinebry Pool	47400 West Nadine Paddock-Blinebry Pool

29710	Hardy-Blinebry Pool	47960	Oil Center-Blinebry Pool
31700	East Hobbs-Blinebry Pool	96314	North Teague Lower Paddock-Blinebry Assoc.
31680	Hobbs Upper-Blinebry Pool	58300	Teague Paddock-Blinebry Pool
31650	Hobbs Lower-Blinebry Pool	59310	East Terry-Blinebry Pool
33230	House-Blinebry Pool	63780	Weir-Blinebry Pool
33225	South House-Blinebry Pool	63800	East Weir-Blinebry Pool

**Tubb Pools**

12440	Cline-Tubb Pool	47530	West Nadine-Tubb Pool
77120	Fowler-Tubb Pool	58910	Teague-Tubb Pool
26635	South Fowler-Tubb Pool	96315	North Teague-Tubb Associated Pool
78760	House-Tubb Pool	60240	Tubb Oil & Gas Pool (Oil)
33460	East House-Tubb Pool	86440	Tubb Oil & Gas Pool (Pro Gas)
33470	North House-Tubb Pool	87080	Warren-Tubb Pool
47090	Monument-Tubb Pool	87085	East Warren-Tubb Pool
47525	Nadine-Tubb Pool		

**Drinkard Pools**

7900	South Brunson Drinkard-Abo Pool	47505	West Nadine-Drinkard Pool
12430	Cline Drinkard-Abo Pool	47510	Nadine Drinkard-Abo Pool
15390	D-K Drinkard Pool	57000	Skaggs-Drinkard Pool
19190	Drinkard Pool	96768	Northwest Skaggs-Drinkard Pool
19380	South Drinkard Pool	58380	Teague-Drinkard Pool
26220	Fowler-Drinkard Pool	96313	North Teague Drinkard-Abo Pool
28390	Goodwin-Drinkard Pool	63080	Warren-Drinkard Pool
31730	Hobbs-Drinkard Pool	63120	East Warren-Drinkard Pool
33250	House-Drinkard Pool	63840	Weir-Drinkard Pool
47503	East Nadine-Drinkard Pool		

**Blinebry-Tubb Pools**

62965	Warren Blinebry-Tubb Oil & Gas Pool
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**Tubb-Drinkard Pools**

18830	Dollarhide Tubb-Drinkard Pool	33600	Imperial Tubb-Drinkard Pool
29760	Hardy Tubb-Drinkard Pool	35280	Justis Tubb-Drinkard Pool
96356	North Hardy Tubb-Drinkard Pool		

**Pool Combinations, Lea County**

Airstrip-Bone Spring (960) & Airstrip-Wolfcamp (970) Pools  
 Baish-Wolfcamp (4480) & Maljamar-Abo (43250) Pools  
 Blinebry Oil & Gas & Wantz-Abo (62700) Pools  
 Blinebry Oil & Gas & South Brunson-Ellenburger (8000) Pools  
 Blinebry Oil & Gas & Paddock (49210) Pools  
 Cerca Lower-Wolfcamp (11800) & Cerca Upper-Pennsylvanian (11810) Pools  
 Drinkard (19190) & Paddock (49210) Pools  
 Drinkard (19190) & Wantz-Abo (62700) Pools  
 Drinkard (19190) & Wantz-Granite Wash (62730) Pools  
 Lazy J Penn (37430) & South Baum-Wolfcamp (4967) Pools  
 Mesa Verde-Delaware (96191) & Mesa Verde-Bone Spring (96229) Pools  
 West Red Tank-Delaware (51689) & Red Tank-Bone Spring (51683) Pools  
 South Shoe Bar-Wolfcamp (56300) & South Shoe Bar Upper-Penn (56285) Pools  
 Skaggs-Glorieta (57190) & Skaggs-Drinkard (57000) Pools  
 West Triste Draw-Delaware (59945) & South Sand Dunes Bone Spring (53805) Pools  
 Triste Draw-Delaware (59930) & Triste Draw-Bone Spring (96603) Pools  
 Tubb Oil & Gas & Paddock (49210) Pools  
 North Vacuum-Abo (61760) & Vacuum-Wolfcamp (62340) Pools  
 Vacuum-Blinebry (61850) & Vacuum-Glorieta (62160) Pools  
 Vacuum-Blinebry (61850) & Vacuum-Drinkard (62110) Pools  
 Vacuum Upper-Penn (62320) & Vacuum-Wolfcamp (62340) Pools  
 Wantz-Abo (62700) & Wantz-Granite Wash (62730) Pools

**Pool Combinations, Eddy County**

Red Lake Queen-Grayburg-San Andres (51300) & Northeast Red Lake-Glorieta Yeso (96836) Pools

**Pool Combination, San Juan Basin**

Basin-Dakota (71599) & Angels Peak-Gallup Associated (2170) Pools  
 Basin-Dakota (71599) & Armenta-Gallup (2290) Pools  
 Basin-Dakota (71599) & Baca-Gallup (3745) Pools



Basin-Dakota (71599) & Bisti Lower-Gallup (5890) Pools  
 Basin-Dakota (71599) & BS Mesa-Gallup (72920) Pools  
 Basin-Dakota (71599) & Calloway-Gallup (73700) Pools  
 Basin-Dakota (71599) & Devils Fork-Gallup Associated (17610) Pools  
 Basin-Dakota (71599) & Ensenada-Gallup (96321) Pools  
 Basin-Dakota (71599) & Flora Vista-Gallup (76640) Pools  
 Basin-Dakota (71599) & Gallegos-Gallup Associated (26980) Pools  
 Basin-Dakota (71599) & Ice Canyon-Gallup (93235) Pools  
 Basin-Dakota (71599) & Kutz-Gallup (36550) Pools  
 Basin-Dakota (71599) & Largo-Gallup (80000) Pools  
 Basin-Dakota (71599) & Otero-Gallup (48450) Pools  
 Basin-Dakota (71599) & Tapacito-Gallup Associated (58090) Pools  
 Basin-Dakota (71599) & Wild Horse-Gallup (87360) Pools  
 Basin-Dakota (71599) & Aztec-Pictured Cliffs (71280) Pools  
 Basin-Dakota (71599) & Ballard-Pictured Cliffs (71439) Pools  
 Basin-Dakota (71599) & Blanco-Pictured Cliffs (72359) Pools  
 Basin-Dakota (71599) & South Blanco-Pictured Cliffs (72439) Pools  
 Basin-Dakota (71599) & Fulcher Kutz-Pictured Cliffs (77200) Pools  
 Basin-Dakota (71599) & West Kutz-Pictured Cliffs (79680) Pools  
 Basin-Dakota (71599) & Tapacito-Pictured Cliffs (85920) Pools  
 Basin-Fruitland Coal (71629) & Aztec-Pictured Cliffs (71280) Pools  
 Basin-Fruitland Coal (71629) & Ballard-Pictured Cliffs (71439) Pools  
 Basin-Fruitland Coal (71629) & Blanco-Pictured Cliffs (72359) Pools  
 Basin-Fruitland Coal (71629) & East Blanco-Pictured Cliffs (72400) Pools  
 Basin-Fruitland Coal (71629) & South Blanco-Pictured Cliffs (72439) Pools  
 Basin-Fruitland Coal (71629) & Carracas-Pictured Cliffs (96154) Pools  
 Basin-Fruitland Coal (71629) & Choza Mesa-Pictured Cliffs (74960) Pools  
 Basin-Fruitland Coal (71629) & Fulcher Kutz-Pictured Cliffs (77200) Pools  
 Basin-Fruitland Coal (71629) & West Kutz-Pictured Cliffs (79680) Pools  
 Basin-Fruitland Coal (71629) & Gavilan-Pictured Cliffs (77360) Pools  
 Basin-Fruitland Coal (71629) & Gobernador-Pictured Cliffs (77440) Pools  
 Basin-Fruitland Coal (71629) & Huerfano-Pictured Cliffs (78840) Pools  
 Basin-Fruitland Coal (71629) & Potwin-Pictured Cliffs (83000) Pools  
 Basin-Fruitland Coal (71629) & Tapacito-Pictured Cliffs (85920) Pools  
 Basin-Fruitland Coal (71629) & Twin Mounds Fruitland Sand-Pictured Cliffs (86620) Pools  
 Basin-Fruitland Coal (71629) & W. A. W. Fruitland Sand-Pictured Cliffs (87190)  
 Blanco-Mesaverde (72319) & Basin-Dakota (71599) Pools  
 Blanco-Mesaverde (72319) & Blanco-Pictured Cliffs (72359) Pools  
 Blanco-Mesaverde (72319) & South Blanco-Pictured Cliffs (72439) Pools  
 Blanco-Mesaverde (72319) & Gobernador-Pictured Cliffs (77440) Pools  
 Blanco-Mesaverde (72319) & West Lindrith Gallup-Dakota (39189) Pools  
 Blanco-Mesaverde (72319) & Tapacito-Pictured Cliffs (85920) Pools  
 Blanco-Mesaverde (72319) & Armenta-Gallup (2290) Pools  
 Blanco-Mesaverde (72319) & BS Mesa-Gallup (72920) Pools  
 Blanco-Mesaverde (72319) & Calloway-Gallup (73700) Pools  
 Blanco-Mesaverde (72319) & Ensenada-Gallup (96321) Pools  
 Blanco-Mesaverde (72319) & Flora Vista-Gallup (76640) Pools  
 Blanco-Mesaverde (72319) & Largo-Gallup (80000) Pools  
 Blanco-Mesaverde (72319) & West Lindrith Gallup-Dakota (39189) Pools  
 Blanco-Mesaverde (72319) & McDermott Gallup (81050) Pools  
 Blanco-Mesaverde (72319) & Potter-Gallup (50387) Pools  
 Blanco-Mesaverde (72319) & Tapacito-Gallup Associated (58090) Pools  
 Blanco-Mesaverde (72319) & Wild Horse-Gallup (87360) Pools  
 Otero-Chacra (82329) & Aztec-Pictured Cliffs (71280) Pools  
 Otero-Chacra (82329) & Basin-Dakota (71599) Pools  
 Otero-Chacra (82329) & Blanco-Mesaverde (72319) Pools  
 Otero-Chacra (82329) & South Blanco-Pictured Cliffs (72439) Pools  
 Otero-Chacra (82329) & Fulcher Kutz-Pictured Cliffs (77200) Pools  
 [1-1-50...2-1-96; 19.15.5.303 NMAC - Rn, 19 NMAC 15.E.303 & A, 5-15-00]

D. Off-Lease Transportation or Storage Prior to Measurement. The division may grant exceptions to the requirements of subsection A of this section, administratively, without hearing, to permit production from one lease to be transported prior to

measurement to another lease for storage thereon when:

- (1) an application for off-lease transportation or storage prior to measurement has been filed on division form C-107-B with the Santa Fe office of the division with one copy to the appropriate district office of the division;
- (2) all such production is from the same common source of supply;
- (3) commingling of production from different leases will not result;
- (4) there will be no intercommunication of the handling, separating, treating or storage facilities designated to each lease;

(5) all parties owning working interests in any of the production to be transported off lease prior to measurement have been notified of the (6) application in accordance with the provisions of 19.15.N.1207.A NMAC and have consented in writing :

in lieu of paragraph (5) of this subsection D, the applicant furnishes proof that said parties were notified by registered or certified mail of its intent to transport the production from one lease to another lease for storage prior to measurement, and after a period of twenty (20) days following receipt of the application, no party has filed objection to the application; and

(7) if state, federal or indian lands are involved, the commissioner of public lands for the State of New Mexico or the United States bureau of land management (as applicable) has been notified.

The division may set for hearing any application for approval of off-lease transportation or storage prior to measurement, in which event notice of hearing shall be given, pursuant to 19.15.N.1207.A NMAC, to all owners of working interests in any of the production to be transported off lease prior to measurement, and to such other owners as the division may direct.

**19.15.5.304 CONTROL OF MULTIPLE COMPLETED WELLS:** Multiple completed wells which have been authorized by the Division shall at all times be operated, produced, and maintained in a manner to ensure the complete segregation of the various common sources of supply. The Division may require such tests as it deems necessary to determine the effectiveness of segregation of the different common sources of supply.

[1-1-50...2-1-96; 19.15.5.304 NMAC - Rn, 19 NMAC 15.E.304, 5-15-00]

**19.15.5.305 METERED CASINGHEAD GAS:** The owner of a lease shall not be required to measure the exact amount of casinghead gas produced and used by him for fuel purposes in the development and normal operation of the lease. All casinghead gas produced and sold or transported away from a lease, except small amounts of flare gas, shall be metered and reported in standard cubic feet monthly to the Division. The amount of casinghead gas sold in small quantities for use in the field may be calculated upon a basis generally acceptable in the industry, or upon a basis approved by the Division in lieu of meter measurements.

[1-1-50...2-1-96; 19.15.5.305 NMAC - Rn, 19 NMAC 15.E.305, 5-15-00]

**19.15.5.306 CASINGHEAD GAS:**

A. No casinghead gas produced from any well in this state shall be flared or vented after 60 days following completion of the well.

B. Any operator seeking an exception to the foregoing shall file an application therefor on Division Form C-129, Application for Exception to No-Flare Rule 306. Form C-129 shall be filed in triplicate with the appropriate district office of the Division. The district supervisor may grant an exception when the same appears reasonably necessary to protect correlative rights, prevent waste, or prevent undue hardships on the applicant. The district supervisor shall either grant the exception within ten days after receipt of the application or refer it to the Division Director who will advertise the matter for public hearing if a hearing is desired by the applicant.

C. The flaring or venting by an operator of gas from any well in violation of this rule will result in suspension of the allowable assigned to the well.

D. No extraction plant processing gas in the State of New Mexico shall flare or vent such gas unless such flaring or venting is made necessary by mechanical difficulty of a very limited temporary nature or unless the gas flared or vented is of no commercial value.

E. In the event of a more prolonged mechanical difficulty or in the event of plant shut-downs or curtailment because of scheduled or non-scheduled maintenance or testing operations or other reasons, or in the event a plant is unable to accept, process, and market all of the casinghead gas produced by wells connected to its system, the plant operator shall notify the Division as soon as possible of the full details of such shut-down or curtailment, following which the Division shall take such action as is necessary to reduce the total flow of gas to such plant.

F. Pending connection of a well to a gas-gathering facility, or when a well has been excepted from the provisions of Paragraph A. of this rule, all gas produced and not utilized shall be burned, and the estimated volume reported on the monthly production report, Form C-115.

G. The provisions of Paragraph A. of this rule shall not be applicable to wells completed prior to January 1, 1971, in pools which had no gas-gathering facilities on that date, provided however, said provisions shall be applicable to all wells in such a pool 60 days after the date of first casinghead gas connection in the pool.

[9-1-72...2-1-96; 19.15.5.306 NMAC - Rn, 19 NMAC 15.E.306, 5-15-00]

**19.15.5.307 USE OF VACUUM PUMPS:** Vacuum pumps or other devices shall not be used for the purpose of

creating a partial vacuum in any stratum containing oil or gas.

[1-1-50...2-1-96; 19.15.5.307 NMAC - Rn, 19 NMAC 15.E.307, 5-15-00]

**19.15.5.308 SALT OR SULPHUR WATER:** Operators shall report monthly on Form C-115 the amount of water produced with the oil and gas from each well.

[1-1-50...2-1-96; 19.15.5.308 NMAC - Rn, 19 NMAC 15.E.308, 5-15-00]

#### **19.15.5.309 ~~CENTRAL TANK BATTERIES~~ AUTOMATIC CUSTODY TRANSFER EQUIPMENT**

##### **A. ~~Automatic Custody Transfer Equipment~~**

~~(1)~~ Oil shall ~~not be transported from a lease until it has been received and measured in a facility of an approved design located on the lease.~~ Such facilities shall permit the testing of each well at reasonable intervals and may be comprised of manually gauged, closed stock tanks for which proper strapping tables have been prepared, ~~with a maximum of sixteen~~ ~~production units producing into said tanks,~~ or of automatic custody transfer (ACT) equipment. The use of such automatic custody transfer equipment shall be permitted only after compliance with the following: The operator shall file with the Division Form C-106, Notice of Intention to Utilize Automatic Custody Transfer Equipment, and shall receive approval thereof prior to transferring oil through the ACT system. The carrier shall not accept delivery of oil through the ACT system until Form C-106 has been approved.

B. ~~(2)~~ Form C-106 shall be submitted in quadruplicate to the appropriate District Office of the Division and shall be accompanied (in quadruplicate) by the following:

(1) ~~(a)~~ Plat of the lease showing thereon all wells which will be produced into the ACT system.

(2) ~~(b)~~ Schematic diagram of the ACT equipment, showing thereon all major components such as surge tanks and their capacity, extra storage tanks and their capacity, transfer pumps, monitors, reroute valves, treaters, samplers, strainers, air and gas eliminators, back pressure valves, metering devices, (indicating type and capacity, i.e. whether automatic measuring tank, positive volume metering chamber, weir-type measuring vessel, or positive displacement meter). Schematic diagram shall also show means employed to prove accuracy of measuring device.

(3) ~~(c)~~ Letter from transporter agreeing to utilization of ACT system as shown on schematic diagram.

C. ~~(3)~~ Form C-106 will not be approved by the Division unless the ACT system is to be installed and operated in compliance with the following:

(1) ~~(a)~~ Provision must be made for accurate determination and recording of uncorrected volume and applicable temperature, or of temperature corrected volume. The overall accuracy of the system shall equal or surpass manual methods.

(2) ~~(b)~~ Provision must be made for representative sampling of the oil transferred for determination of API gravity and BS&W content.

(3) ~~(c)~~ Provision must be made if required by either the producer or the transporter of the oil to give adequate assurance that only merchantable oil is run by the ACT system.

(4) ~~(d)~~ Provision must be made for set-stop counters to stop the flow of oil through the ACT system at or prior to the time the allowable has been run. All counters shall provide non-reset totalizers which shall be visible for inspection at all times.

(5) ~~(e)~~ All necessary controls and equipment must be enclosed and sealed, or otherwise be so arranged as to provide assurance against, or evidence of, accidental or purposeful mismeasurement resulting from tampering.

(6) ~~(f)~~ All components of the ACT system shall be properly sized to ensure operation within the range of their established ratings. All components of the system which require periodic calibration and/or inspection for proof of continued accuracy must be readily accessible. The frequency and methods of such calibration and/or inspection shall be set forth in Rule 309A, D(3).

(7) ~~(g)~~ The control and recording system must include adequate fail-safe features which will provide assurance against mismeasurement in the event of power failure, or the failure of the ACT system's component parts.

(8) ~~(h)~~ The ACT system and allied facilities shall include such fail-safe equipment as may be necessary, including high level switches in the surge tank or overflow storage tank which, in the event of power failure or malfunction of the ACT or other equipment, will shut down all artificially lifted wells connected to the ACT system and will shut in all flowing wells at the well-head or at the header manifold, in which latter case all flowlines shall be pressure-tested to at least 1 ½ times the maximum well-head shut-in pressure prior to initial use of the ACT system and each two years thereafter.

(9) ~~(i)~~ As an alternative to the requirements of paragraph (8) (a) above, the producer shall provide and shall at all times maintain a minimum of available storage capacity above the normal high working level of the surge tank to receive and hold the amount of oil which may be produced during maximum unattended time of lease operation.

(10) ~~(j)~~ In all ACT systems employing automatic measuring tanks, weir-type measuring vessels, positive volume metering chambers, or any other volume measuring container, the container and allied components shall be properly calibrated prior to initial use and shall be operated, maintained, and inspected as necessary to ensure against incrustation, changes in clingage factors, valve leakage or other leakage, and improper action of floats, level detectors, etc.

(11) ~~(k)~~ In all ACT systems employing positive displacement meters, the meter(s) and allied components shall be properly calibrated prior to initial use and shall be operated, maintained, and inspected as necessary to ensure against mismeasurement of oil.

(12) ~~—(1)—~~The measuring and recording devices of all ACT systems shall be checked for accuracy at least once each month unless exception to such determination has been obtained from the Division Director. API Standard 1101, "Measurement of Petroleum Liquid Hydrocarbons by Positive Displacement Meter," shall be used where applicable. Meters may be proved against Master Meters, Portable Prover Tanks, or Prover Tanks permanently installed on the lease. If permanently installed Prover Tanks are used, the distance between the opening and closing levels and the provision for determining the opening and closing readings shall be sufficient to detect variations of 5/100 of one percent. Reports of determination shall be filed on the Division Form entitled "Meter Test Report," or on another acceptable form and shall be submitted in duplicate to the appropriate District office of the Division.

(13) ~~—(m)—~~To obtain exception to the requirement of Paragraph (3) above that all measuring and recording devices be checked for accuracy once each month, either the producer or transporter may file such a request with the Division Director setting forth all facts pertinent to such exception. The application shall include a history of the average factors previously obtained, both tabulated and plotted on a graph of factors versus time, showing that the particular installation has experienced no erratic drift. The applicant shall also furnish evidence that the other interested party has agreed to such exception. The Division Director may then set the frequency for determination of the system's accuracy at the interval which he deems prudent.

D. ~~—(4)—~~Failure to operate an automatic custody transfer system in compliance with this rule shall subject the approval thereof to revocation by the Division.

~~B. Administrative Approval, Lease Commingling~~

~~(1) The Division Director shall have authority to grant exceptions to Rule 309A to permit the commingling of production from two or more separate leases in a common tank battery without notice and hearing, provided application has been filed in triplicate with the Division and is accompanied by plats of the leases showing thereon the wells on the leases and the formations in which they are completed, and schematic diagrams of the commingling facility, showing it to be of an acceptable design in accordance with the Division "Manual for the Installation and Operation of Commingling Facilities," then current, and provided further that:~~

~~(a) All production is from the same common source of supply or an exception to Rule 303 A. (1) has been obtained;~~

~~(b) Adequate facilities will be provided for accurately determining production from each well at reasonable intervals;~~

~~(c) All parties owning an interest in the leases and the purchaser of the commingled production therefrom have consented in writing to the commingling of production from the separate leases;~~

~~(d) In lieu of paragraph (3) of this rule, the applicant may furnish proof of the fact that said parties were notified by registered or certified mail of his intent to commingle production from the separate leases. The Division Director may approve the application if, after a period of 20 days following receipt of the application, no party has made objection to the application;~~

~~(e) In addition to the foregoing requirements for administrative approval to commingle production from two or more separate leases, the following requirements shall also apply:~~

~~(i) To commingle production from two or more separate leases in a common tank battery without first separately measuring the production from each such lease, the ownership of the leases must be common throughout. This shall include working interest ownership, royalty ownership, and overriding royalty ownership.~~

~~(ii) To commingle production from two or more separate leases in a common tank battery where there is a diversity of ownership (whether in working interest, royalty interest, or overriding royalty interest) the hydrocarbon production from each lease shall be accurately measured and determined in accordance with the applicable provisions of the Division "Manual for the Installation and Operation of Commingling Facilities," then current;~~

~~C. Administrative Approval, Off Lease Storage~~

~~(1) For good cause shown, the Division Director shall have authority to grant an exception to Rule 309A to permit the production from one lease to be transported prior to measurement to another lease for storage thereon, provided an application reflecting ownership of the lease has been filed in triplicate with the Division and is accompanied by plats of the leases showing thereon the wells on the leases and the formations in which they are completed and the proposed location of the tank battery, and provided further that:~~

~~(a) All production is from the same common source of supply;~~

~~(b) Commingling of production from the two leases will not result;~~

~~(c) There will be no intercommunication of the handling, separating, treating or storage facilities designated to each lease;~~

~~(d) All parties owning an interest in the leases have consented in writing to the off lease storage;~~

~~(e) In lieu of paragraph (4) of this rule, the applicant may furnish proof of the fact that said parties were notified by registered or certified mail of his intent to transport prior to measurement the production from one lease to another lease for storage. The Division Director may approve the application if, after a period of 20 days following receipt of the application, no party has made objection to the application;~~

~~(f) Where State or Federal lands are involved, the applicant shall furnish evidence that the Commissioner of Public Lands for the State of New Mexico or the Regional Supervisor of the United States Bureau of Land Management has consented to the proposed off lease storage;~~

~~[5-1-61...2-1-96; 19.15.5.309 NMAC - Rn, 19 NMAC 15.E.309, 5-15-00]~~

#### **19.15.5.310 TANKS, OIL TANKS, FIRE WALLS, AND TANK IDENTIFICATION:**

A. 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 objectional 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.

B. 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.

[1-1-50...2-1-96; 19.15.5.310 NMAC - Rn, 19 NMAC 15.E.310, 5-15-00]

#### **19.15.5.311 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 tests 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).

I. 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.

[1-1-50...2-1-96; 19.15.5.311 NMAC - Rn, 19 NMAC 15.E.311, 5-15-00]

#### **19.15.5.312 RESERVED [Formerly "Treating Plants". Repealed 7-26-95]**

**19.15.5.313 EMULSION, BASIC SEDIMENTS, AND TANK BOTTOMS:** Wells producing oil shall be operated in such a manner as will reduce as much as practicable the formation of emulsion and basic sediments. These substances and tank bottoms shall not be allowed to pollute fresh waters or cause surface damage. If tank bottoms are removed to surface pits, the pits shall be fenced and the fence shall be kept in good repair. To protect migratory birds, all tanks exceeding 16 feet in diameter, and exposed pits and ponds shall be screened, netted or covered. Upon written application by the operator, an exception to screening, netting or covering of a facility may be granted by the district supervisor upon a showing that an alternative method will protect migratory birds or that the facility is not hazardous to migratory birds.  
[1-1-50...2-1-96; 19.15.5.313 NMAC - Rn, 19 NMAC 15.E.313, 5-15-00]

**19.15.5.314 GATHERING, TRANSPORTING AND SALE OF DRIP:**

- A. "Drip" is defined as any liquid hydrocarbon incidentally accumulating in a gas gathering or transportation system.
  - B. The waste of drip is hereby prohibited when it is economically feasible to salvage the same.
  - C. The movement and sale of drip is hereby authorized, provided the provisions of this Rule are complied with.
  - D. No drip shall be transported nor sold until the gas transporter has filed Division Form C-104 designating the drip transporter authorized to remove the drip from its gas gathering or transportation system.
  - E. Every person transporting drip within the State of New Mexico shall file Division Form C-112 each month, showing the amount, source, and disposition of all drip handled during the reporting period, and such other reports as may hereafter be required by the Division.
  - F. Prior to commencement of operations, every person transporting drip directly from a gas gathering or transportation system shall file with the Division plats drawn to scale, locating and identifying each drip trap which he is authorized to service.
  - G. Every person transporting drip directly from a gas gathering or transportation system shall keep a record of daily acquisitions from each drip trap which he is authorized to service, which records shall be made available at all reasonable times for inspection by the Division or its authorized representatives.
  - H. Every gas transporter in the State of New Mexico shall, on or before the first day of November of each year, file with the Division maps of its entire gas gathering and transportation systems within the State of New Mexico, locating and identifying thereon each drip trap in said systems, said maps to be accompanied by a report, on a form prescribed by the Division, showing the disposition being made of the drip from each of said drip traps.
- [8-26-57...2-1-96; 19.15.5.314 NMAC - Rn, 19 NMAC 15.E.314, 5-15-00]