STATE OF NEW MEXICO
ENERGY AND MINERALS DEPT.
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
9 May 1984

EXAMINER HEARING

IN THE MATTER OF:

Application of Bill Scott, d/b/a Cedar Lake Oil, for an oil for an oil treating plant permit, Eddy County, New Mexico.	CASE 8174

BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division:
W. Perry Pearce
Attorney at Law
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:
Ernest L. Padilla
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I N D E X

E X H I B I T S

MR. STAMETS: Call Case 8174.

MR. PEARCE: That case is on the application of Bill Scott, d/b/a Cedar Lake Oil, for an oil treating plant permit, Eddy County, New Mexico.

MR. PADILLA: Mr. Examiner, Ernest L. Padilla on behalf of the applicant.

I have one witness to be sworn.

MR. PEARCE: Are there other appearances in this matter?

(Witness sworn.)

BILL SCOTT,

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

DIRECT EXAMINATION

BY MR. PADILLA:

Q Mr. Scott, for the record would you please state your name and whether you are the applicant in this case?

A I'm Bill Scott. I am the applicant for this case. I'm from Loco Hills, New Mexico.

Q Where do -- okay, you've answered that.

Are you the owner of the proposed treating plant under consideration here today?

A Yes, I am.

Q You're the sole proprietor?

A Yes.

Q Can you briefly tell us what you seek to do by the application today?

A It's an application for a treating plant for sediment oil.

MR. PADILLA: Mr. Examiner, are the witness' qualifications acceptable inasmuch as he's the owner of the --

MR. STAMETS: They are.

Q Mr. Scott, let's go what we have marked as Exhibit Number One and have you tell us what that is and what it contains.

A This is an application for a treating plant, Loco Hills, New Mexico, and it has our plant descriptioin, our initial treating plant, and future expansions and our method of operations.

Q Are you going to -- are you going to treat both tank bottoms and pit bottoms? Is that what you're going to do with your plant?

A Yes, we treat -- we've been cleaning out abandoned pits and making oil out of them, crude oil.

Q Let me hand you what we have marked as Exhibit Number Two and tell us what that is.

A This is a map of where we're going to be located and the section number.

Q Where are you going to be located?

A In Section 19 in the southwest quarter of Range 31 East, Township 17 South.

Q How far away from Loco Hills are you going to be?

A It will be approximately three and a half miles.

Q I see a highway or something marked on that map. Can you tell us what that is and where it goes?

A Yes. That's Highway 82. It goes to Lovington and to Hobbs. We're about half way between Lovington and Artesia.

Q And the area identified in yellow, can you tell us what that is?

A That's the southwest quarter of Section 19 where our plant will be located.

Q Okay. Let me hand you what we have marked as Exhibit Number Three and have you tell us what that is.

A This is a description of our location, our treating tanks and our office and work area.

Q Starting on the lefthand side approximately where it says "north" can you start from there and start describing the physical --

A We are -- there's a 60-foot right-of-way between the highway and our property and we have 235 feet along the west side. We have our firewall dike and our

treating tanks and our selling tanks.

Q How -- on the lefthand side how tall is that dike going to be ?

A It will range from 2 feet to 4 feet.

Q Is that an earthen dike?

A Yes, it is.

Q Approximately what is the volume to be contained within the area of the dikes or the diked area?

A The diked area will hold approximately 15,000 barrels.

Q And notice toward the bottom of your schematic that you have some tanks. Can you tell us what the combined volume of the tanks will be?

A Just almost 3100 barrels.

Q Should they all rupture at once that would be the amount of spillage, assuming they would be full, 3100 barrels?

A Yes.

Q Can you explain to the Examiner how you intend to -- your plant to operate?

A We pick up crude oil at various pits. We bring it in to our receiving tanks. We treat it from there over into our 400-barrel treating tank. We have our heater on it and sometimes it's so much paraffin in it that we'll need to heat it to get it thinned down some. From there it runs over to our selling tanks.

Q Is that going to heat that with the heat-

er that's marked out that's outside the diked area?

A Yes, until we get our proposed solar heater.

Q Is there a reason why that heater is outside the diked area?

A Yes, it's just a proposed safety precaution to get it away from our tanks.

Q I notice you have some other auxiliary facilities. Would you explain what those are, where they are in relation to the actual plant?

A Our office and storage and work area is over in the other corner and we have a --

Q Towards the righthand side of the schematic? Is that --

A Yes, sir.

Q Okay.

A And we have our trailer and our motor home for employees over here on this side.

Q Do you have anything further to testify concerning this exhibit?

A No, sir.

Q Let me hand you what we have marked as Exhibit Number Four and have you identify that.

A This is my bond, treating plant bond, that I have with the Oil Conservation Division.

Q And that's on file already?

A Yes, it is.

Q Are you prepared to comply with the other reporting rules and regulations of the Oil Conservation Division should your application be approved?

A Yes, I am.

Q Tell us briefly what you -- well, let me ask it this way.

Will this plant have waste products?

A Yes, we will have a few waste products. We'll have water and some iron sulfide.

Q How will you dispose of those waste products?

A Our water will go, what we don't re-use, a lot of it we will re-use as our treating water, and the other which will go to our excess water will go to Loco Hills Water Disposal and our remaining iron sulfide products will go to Iron Oil Processing in Hobbs.

Q Do you request an expeditious decision on the application?

A Yes, I do.

MR. PADILLA: Mr. Examiner, we tender Exhibits One through Four and we tender the witness for questions.

MR. STAMETS: The exhibits will be accepted.

CROSS EXAMINATION

BY MR. STAMETS:

Q Mr. Scott, you indicates that any -- anything that you can't recover will be going to Oil Processing in Hobbs.

I wonder if you mean, what's the name of that outfit, Pollution Control that has that big salt lake disposal between Hobbs and Carlsbad?

A You mean our iron sulfide?

Q Yeah.

A Well now that's -- part of that's going to be mixed up. We keep it all into a liquid.

Q Uh-huh.

A And Oil Processing is going to pick up the most of all of that. There will still be some hydrocarbons in --

MR. CLEMENTS: Well, there'll be some things that old Persh won't want to buy off of you, is what I'm saying, or what I mean.

A Yes.

MR. CLEMENTS: And this is the only authorized place in --

A The rest of it that he doesn't take will go to the disposal up there.

MR. CLEMENTS: And another thing, of course I've watched you build your dikes there a couple of times going by, back and forth.

A Yes.

MR. CLEMENTS: You are aware now that this is going to have to be kept in good shape because it's setting on the very banks or brinks of what we call Cedar Lake.

A Yes, sir, we're about a half a mile from it.

MR. CLEMENTS: And we've got quite a water drain coming down off of the crest of these hills, too.

A Yeah, we're fixing where our rainwater and all, you know, that comes in will go around --

MR. CLEMENTS: Right.

A -- this, our proposed dike area.

Q Where is your good oil going to go?

A It will go to Navajo.

Q Okay. And I presume you'll have a road in across this dike.

A Yes, sir.

Q And you're going to have, what, a culvert or something in there or you're --

A No.

Q -- going to have something so that it won't get beat down.

A Yeah, we'll have a road which will be a little taller there and it will be sloped on both sides right here, where the trucks come in.

Q Now you indicated that you're just going

to get oil from pits. You're not going to take oil from, like tank cleaning?

A Well now there's been several companies that have asked us if we would take tank bottoms after they, you know, as far as the cleaning of their tank bottoms, where now they have to pay to dispose of it, we -- we will take their tank bottoms.

Q Okay.

MR. STAMETS: Any other questions of the witness? I guess just one, that you are aware, I believe, from what you've said that you will not be allowed to put any -- any waste or any water in any pit or on the surface there except what you might need to keep everything neat --

A Yes, uh-huh, we --

Q -- and clean?

A -- don't -- we just use our water for our treating purpose and cleaning.

MR. STAMETS: Okay, any final questions? The witness may be excused.

Anything further in this case?

The case will be taken 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 Conservation 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

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 8174 heard by me on 5-9 1984.

Richard L. Stamets, Examiner
Oil Conservation Division