

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARINGSANTA FE, NEW MEXICOHearing Date OCTOBER 8, 1986 Time: 8:15 A.M.

NAME

REPRESENTING

LOCATION

Prob Hahn

Byram

Santa Fe

W T Kellakin

Kellakin & Kellakin

Santa Fe

Jarris Nelson

Zia Energy, Inc.

Hobbs

Don Bratten

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Greg Hair

Pennzoil

Midland

Paul Bruce

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Kern ~~W~~

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Robert E Curtis

Standard Oil

Dallas

Robert C. Leibrock

Amerind Oil Co.

Midland

William F. Kern

Campbell & Clark

Santa Fe

GARY KERN

TEYACO

MIDLAND.

P. H. McCune, III

TEYACO

David Cotnam

OCD

Midland
Santa Fe.

Ernest Seale

SLO O&G Div

Santa Fe

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
Santa Fe, New Mexico

8 October 1986

EXAMINER HEARING

IN THE MATTER OF:

The hearing called by the Oil Conser- CASE
vation Division on it own motion to 8997
permit Oilfield Services and all other
interested parties to appear and show
cause why Oilfield Services' authority
under Division Order R-8237 should not
be cancelled, etc.

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division: Jeff Taylor
Legal Counsel to the Division
Oil Conservation Division
State Land Office Bldg.
Santa Fe, New Mexico

I N D E X

FRANK CHAVEZ

Direct Examination by Mr. Taylor 4

Cross Examination by Mr. Stogner 8

E X H I B I T S

Division Exhibit One, Application 5

Division Exhibit Two, Documents 5

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MR. STOGNER: For the record,
we are in recess from Case Number 900 -- I'm sorry, 8993,
and we're calling Case Number 8997, which is in the matter
of the OCD on its own motion to permit Oilfield Services and
other interested parties to show cause why a treating plant
bond should not be cancelled in San Juan County, New Mexico.

Are there any appearances?

MR. TAYLOR: May it please the
Examiner, my name is Jeff Taylor, Counsel for the Division,
and I have one witness to be sworn.

MR. STOGNER: Are there any
other appearances?

There being none please raise
your right hand.

(Witness sworn.)

MR. STOGNER: You may be
seated.

Mr. Taylor.

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

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DIRECT EXAMINATION

BY MR. TAYLOR:

Q Would you please state your name and occupation for the record?

A My name is Frank Chavez. I am District Supervisor of District Three of the Oil Conservation Division in Aztec.

Q And, Mr. Chavez, have you reviewed the files of Oilfield Services and are you familiar with the matter of this case?

A Yes, I am.

Q Would you please tell us then the purpose of this case?

A The purpose of this case is to cancel the approval of Oilfield Services to operate an oil treating plant that was authorized under Order -- Commission -- Division Order R-8237.

Q And do we also wish to cancel the bond, if there is any --

A Yes.

Q -- on this plant? Do you happen to know if there is an existing bond on this plant?

A To my knowledge at this time there is not a bond.

A Okay. If the Examiner will look at Exhibit Number One, it's a letter which I wrote to Oilfield Services on July 7th of this year, during which time -- this letter was in response to an inspection that I did of their operations south of Bloomfield.

They at this time had informed me that this was in anticipation of their approval of their treating plant permit.

Exhibit Number Two is a copy of the documentation which they had supplied me. These are run tickets, copies of run tickets that Oilfield Services prepared after I had requested the documentation. They had not documented the transported oil that they had taken from the field.

The earliest document here, it's not

1 quite legible in the copy, but it is Run Ticket No. 10,001,
2 which indicates that they had hauled oil in March of this
3 year prior to having come to a hearing for a treating plant
4 permit.

5 Q So at the time of these run tickets, or
6 at least at the time of the one you mentioned, they had no
7 permit and had no authorization --

8 A That's --

9 Q -- to operate a treating plant.

10 A That's correct. They had started their
11 operations without an authorization from this office.

12 Even subsequent to the time that they had
13 received approval through Order R-8237 to operate a permit
14 -- to operate a treating plant, they continued to haul even
15 after I had directed them to cease. All of the oil that
16 they had hauled, the pit oil and waste oil, was hauled with-
17 out any approved C-117 from our office, also in violation of
18 our regulations.

19 The water which they're recovered from
20 this temporary treating plant was hauled back to sites and
21 this is without authorization under a C-133.

22 So they were in violation of several of
23 our rules and regulations.

24 For these violations and because of their
25 continued uncooperativeness in documenting all the oil, I'm

1 requesting that their authorization to operate a treating
2 plant be cancelled.

3 Q Have you had any subsequent conversations
4 with the persons who operated this plant?

5 A Yes, I have. As of Friday, this last
6 Friday, I had talked to Mr. Denny Krivokapich, and who is
7 one of the operating partners of the company. He had told
8 me that they had decided because of the problems they were
9 having in complying with the regulations and financial
10 problems, they were going to liquidate their -- the assets
11 that they had at this time and not operate.

12 They are in the process of sending
13 correspondence to the Division to that effect.

14 Q Do they have any equipment in the field
15 that needs to be removed, or have you communicated with them
16 about that?

17 A Yes. They have approximately 1200
18 barrels of oil on site in these rented tanks, which I have
19 directed them to remove. They're in the process of removing
20 that at this time.

21 Any other -- they don't have any
22 permanent equipment of their own at this time except for a
23 semi-trailer truck with the -- semi-trailer tanker truck,
24 and some miscellaneous pumps. The tanks that they have on
25 location are rented.

1 Q Is it then your recommendation, Mr.
2 Chavez, that the permit for Oilfield Services to operate a
3 treating plant be cancelled because of violation of rules of
4 the Oil Conservation Division?

5 A Yes.

6 Q Were Exhibits One and Two prepared by you
7 or under your supervision and control?

8 A Yes, they were.

9 MR. TAYLOR: I move the
10 admission of Exhibits One and Two.

11 Do you have anything --

12 MR. STOGNER: Exhibits -- I'm
13 sorry.

14 Q Excuse me. Do you have anything further
15 in this matter?

16 A No, I don't.

17 MR. STOGNER: Exhibits One and
18 Two will be admitted into evidence.

19

20 CROSS EXAMINATION

21 BY MR. STOGNER:

22 Q Let me see, Mr. Chavez, I want to make
23 sure I understand all of the rules that were violated.

24 First of all, they had no bond.

25 A That's correct, they had not acquired a

1 bond at the time they commenced treating oil at their tempo
2 rary facility.

3 Q Do you know if they were registered with
4 the State Corporation Commission?

5 A That's one of the problems that we had in
6 not giving them a C-133, that they were not registered with
7 the Corporation Commission.

8 MR. TAYLOR: Also, Mr. Exam-
9 iner, if we receive a copy of the letter from Oilfield Ser-
10 vices, which they've stated is in the mail, we'll have that
11 for the record, also.

12 MR. STOGNER: In the mail.

13 MR. TAYLOR: We'll submit that
14 for the record.

15 Q The -- when was Order No. R-8237 ap-
16 proved?

17 A It was approved on June 9th, 1986.

18 Q And so they started operations in March,
19 is that correct?

20 A That's correct.

21 Q And your letter of -- as shown in Exhibit
22 Number One, your letter of July 7th, 1986, cease -- asking
23 them to cease all operations, they continued after that let-
24 ter was sent, is that correct?

25 A That's correct.

1 Q Okay, and no approved C-117 were ever
2 submitted, is that correct?

3 A That's correct.

4 Q Okay. Are there any other discrepancies?

5 A They did haul produced water without a C-
6 133, and there are -- I might say we also have a -- we're
7 still investigating some of the oil transport that was --
8 this company did of some oil from another operator.

9 MR. STOGNER: I have no
10 questions of Mr. Chavez.

11 Mr. Taylor, do you have any-
12 thing further of this witness?

13 MR. TAYLOR: I guess we should
14 note that, Mr. Chavez, Oilfield Services did have notice of
15 this hearing, did they not?

16 MR. CHAVEZ: Yes, they did.

17 MR. TAYLOR: And they, as far
18 as you know, the owner/operator is either out of town or is
19 choosing not to appear here.

20 MR. CHAVEZ: That's correct.

21 MR. TAYLOR: That's all we have
22 in this case.

23 MR. STOGNER: Thank you, Mr.
24 Chavez, you may step down.

25 Does anybody else have anything

1 further in Case Number 8997?

2 This case will be taken under
3 advisement.

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5 (Hearing concluded.)

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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 the foregoing Transcript of Hearing before
the Oil Conservation Division (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

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 8997
heard by me on 8 October 19 86.

Michael P. Slagter Examiner
Oil Conservation Division