

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 1507

TRANSCRIPT OF HEARING

SEPTEMBER 10, 1958

DEARNLEY - MEIER & ASSOCIATES
GENERAL LAW REPORTERS
ALBUQUERQUE, NEW MEXICO
Phone Chapel 3-6691

BEFORE THE
OIL CONSERVATION COMMISSION
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SEPTEMBER 10, 1958

IN THE MATTER OF: :

CASE 1507 Application of Lea County Drip Company, Inc. :
for authority to construct and operate two :
waste oil treating plants. Applicant, in :
the above-styled cause, seeks an order auth- :
orizing it to construct and operate two :
treating plants in Lea County, New Mexico, :
to treat waste oil and tank bottoms collect- :
ed from leases in Lea, Eddy, Chaves and Ro- :
osevelt Counties, New Mexico, said plants to :
be located at the following points: :

(1) Adjacent to the Shell Pipeline Com- :
pany's Pipeline approximately three miles :
South of Hobbs, New Mexico. :

(2) Adjacent to the Shell Pipeline Com- :
pany's Eunice Station approximately five :
miles West of Eunice, New Mexico. :

BEFORE:

Mr. Daniel S. Nutter, Examiner.

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

MR. NUTTER: We will take next Case 1507.

MR. PAYNE: Application of Lea County Drip Company, Inc.,
for authority to construct and operate two waste oil treating plants.

MR. REESE: For the record, my name is N.Randolph Reese.
I represent the applicant, and we will call Mr. Charles Rieder.

(Witness sworn)

CHARLES RIEDER,

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

DIRECT EXAMINATION

BY MR. REESE:

Q State your name.

A Charles Rieder.

Q You are the President of Lea County Drip Company, Incorporated?

A That is correct.

Q Have you previously testified before the Oil Conservation Commission?

A I have.

Q You have made an application for authority to construct and operate two waste oil treating plants. Would you outline to the Examiner the location and type of plant that you propose?

A Yes, sir. We propose to construct two waste oil treating plants to be located in Lea County, New Mexico. In each case, both plants will be located adjacent to Shell Pipeline Corporation's Pipeline Stations; the first plant to be located approximately three miles South of Hobbs, which is known as the Shell Pipeline Corporation's Hobbs Station. The second plant will be located approximately five miles West of Eunice at the Shell Pipeline Corporation's Eunice Station. Now, we can tie that down to Section and Township. Plant No. 2 will be located in the SE/4 of Section 27, Township 21 South, Range 36 East. Plant No. 1, we still have to nego-

tiate for the exact location, and if it please the Examiner, we propose to submit to the Examiner -- to the Commissioner, the exact location and plant setup upon receipt of the permit and upon consummation of our agreement with the Shell Pipeline Corporation. These plants will consist primarily of steel stock tank storage, heating and transfer equipment. We propose to treat and reclaim these various waste oil tank bottoms either by the use of blending in which we will blend high gravity condensates, the use of heat, and the additional -- the addition of treating compounds. We feel that by a combination of these three means, we can treat almost any kind of tank bottom.

Q What will be the capacity of the two plants?

A The capacities we will measure in our -- what we would consider pipeline storage. They will be five hundred barrel tanks, two at each plant.

Q So, in conformance with Rule 312, you would propose 2,000 barrel --

A Storage.

Q -- storage?

A That is correct.

Q Are there any other tank-treating plants in Lea County that you know of?

A There is an existing permit. As to whether the plant is operating or not, I do not know.

Q Are there any plants in the other Counties listed in the

application?

A Yes, sir. There is a plant in Eddy County, I believe, listed as I & W.

Q Do you know whether that plant is operating?

A At the present time, they are operating.

Q Do you feel that it is for the convenience of the public and the owners of the various rights that these plants applied for be established?

A It is. I think the amount of tank bottoms and other waste oils in the four Counties named in our application is quite obvious.

Q Are you -- is your Company prepared to furnish the twenty-five thousand dollar bond required by the Commission prior to the commencement of operations?

A Yes, sir. I have contacted the Daniels Insurance Company of Hobbs, New Mexico, and we would like to introduce into evidence as Exhibit No. 1 this letter from them. The letter states that this Company -- well, I will just read it into the record, if I may. It is addressed to Mr. Pete Porter, Secretary-Director, Oil Conservation Commission, State of New Mexico. "Dear Mr. Porter: I have discussed with the principles of the above corporation, namely Dr. A. V. McBee, J. W. Montgomery, and Charles M. Reeder, the requirement of the Oil Conservation Commission wherein they will be requested by your commission to file a bond in the amount \$25,000 should the above permit be granted. We have been acquainted

with all three principles for some time, and this letter is to advise you that should this permit be granted, we will be in a position to provide this bond for them, everything being equal." Signed, Jack Daniels, President.

Q Is there presently a need for such plants in the County?

A Yes, sir. I am of the opinion that there is a definite need for such plants in Lea County and the other four Counties listed. At the present time I feel that there is a great deal of oil that could be reclaimed that is now being burned.

MR. REESE: That is all we have to offer.

MR. NUTTER: You want to offer this as an Exhibit?

MR. REESE: Yes, we offer this as Applicant's Exhibit 1.

MR. NUTTER: Without objection, Exhibit No. 1 will be received in Case 1507.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Reeder, do you know of instances where it has not been possible for tank bottoms or waste oil to be marketed for lack of facilities, such as you have proposed?

A I don't know of any actual case that I care to state, but I have discussed it with several of the field people in the area, and at the present time they have no means by which they can dispose of these.

Q But you feel that there is a need for such --

A Yes, sir, very definitely.

Q -- a system in the area?

A The bottoms and waste oil, in general, in their present condition are unmarketable. It is impossible for the operator in any case to recover any economic benefit to himself. The oil is contained therein. Therefore, he finds it necessary to remove it from his tanks into pits and various other places. He has the option of putting it on his roads, right-of-ways, grades, fire walls, but in very few instances would it be possible for the operator to recover the oil contained therein, due to the fact that the bottoms don't exceed fifty, sixty barrels.

Q And it would be uneconomic for an operator to install the facility?

A I think it would be.

Q Do you think that the approval of this application is in the interest of conservation and prevention of waste?

A I certainly do, sir.

QUESTIONS BY MR. PAYNE:

Q This is a competitive business too, isn't it, Mr. Rieder?

A There are two existing permits, one in the name of Walter Farmaris, Jr., and one in the name of I. W. Hatton of Artesia.

Q Unlike the permits issued by the State Corporation Commission, our rules require no showing of convenience and necessity, is that correct?

A I believe that is correct, sir, to the best of my knowledge.

MR. NUTTER: Any further questions of Mr. Rieder? If not, he may be excused.

(Witness excused)

MR. NUTTER: Do you have anything further?

MR. REESE: That's all.

MR. NUTTER: Is there anything further in Case 1507? If not, we will take the case under advisement, and take next 1504.

