

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
April 19, 1961

EXAMINER HEARING

IN THE MATTER OF:)

Application of G. E. Reagin for)

permission to operate a treating) Case 2253

plant. Applicant, in the above-)

styled cause, seeks permission)

to operate a sediment oil treating)

plant to be located at or near the)

City of Hobbs, New Mexico.)

BEFORE: Mr. A. L. "Pete" Porter,
Secretary-Director, Alternate Examiner.

TRANSCRIPT OF HEARING

MR. PORTER: The hearing will come to order, please.
We'll take up Case 2253.

MR. MORRIS: "Application of G. E. Reagin for per-
mission to operate a treating plant."

MR. KELLAHIN: Jason Kellahin, Kellahin and Fox,
Santa Fe, representing the applicant. I will have one witness I
would like to have sworn.

(Witness sworn.)

(Applicant's Exhibit No. 1
marked for identification.)

W. A. REAGIN

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



follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A W. A. Reagin, General Superintendent of the Reagin Trucking Company.

Q Are you associated with G. E. Reagin, the applicant in this case?

A Yes, sir.

Q What is that association?

A I am General Superintendent of his company, also his son.

Q Does Mr. Reagin operate as an individual in the business?

A Yes, solely-owned company.

Q You are the General Superintendent for him, is that correct?

A Yes, sir.

Q Are you familiar with the application of G. E. Reagin in the case before the Commission, 2253?

A I am.

Q Would you state briefly what you are proposing in this application?

A We have asked for the permission to build and operate an oil reclaiming plant in Southeast New Mexico for the purpose of reclaiming distressed crude, distressed due to contamination

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and other hydrocarbons.

Q Who will operate this business in New Mexico, G. E. Reagin or yourself?

A My father is sole owner and is directing manager of it. However, at times both of us will be here.

Q Have you had any experience in the business of reclaiming oil?

A Yes, sir.

Q Would you outline for the benefit of the Examiner your experience in this type of operation?

A I went to work for my father when I was nineteen. It's been twenty-two years ago, except for service in the Navy that's all I have ever done. I have built plants, operated plants, both for him and under contract for major oil companies.

Q Where were these plants located?

A We have two permanent plants of our own, one at Waco, Texas and one at Cushing, Oklahoma. We have a joint enterprise plant at Wichita, Kansas and we have helped design plants for the Great Northern Refining Company at Minneapolis, for Standard Oil Refining at Ilneodesha, Kansas. We do a considerable, what's known as sludge, refinery sludge work for Kerr-McGee Oil Industries at this time in Oklahoma.

Q Have you personally managed any of these operations?

A Yes.



Q Mr. Reagin, where will this proposed plant be located?

A It's on a tract of land commencing at the Northeast corner of the Southeast Quarter of Section 8, Township 20 South, Range 37 East, hence West 660 feet, South 330 feet, East 660 feet, hence North 330 feet to a point of beginning or approximately five acres' tract.

Q Is that land owned by G. E. Reagin?

A No, we're leasing it from the Cooper Ranch, which is apparently an estate since there is five of them on it.

Q Do you have the lease at the present time?

A No, I have an option.

Q You have an option to take a lease?

A Yes.

Q That is contingent then upon the approval of this application, I take it?

A Yes, sir.

Q Mr. Reagin, what type of plant do you propose to install?

A It's what we call a batch plant. It has a mean capacity of approximately a thousand barrels a day of raw material. It's not finished product. It's called a batch plant inasmuch as it's not a continual treater. Therefore, it can be operated at less than maximum capacity efficiently.

Q What would be your source of fluids for treating at



this plant?

A Our present source that's got us coming to New Mexico is the promise of a contract from the Phillips Gas Department for their scrubber and drip oil in the Hobbs area.

Q Do you know what volumes of fluids will be available to you for that purpose?

A At the present time, from records of Phillips' sales that they've had over the last sixty days, it has averaged a hundred barrels a day. However, over a period of time they are quite fluctuating, but for the last sixty days they have averaged one hundred barrels a day.

Q Would you seek other sources of oil?

A Yes.

Q What would they be, what type of oil?

A Well, primarily our main business is the cleaning of heavy steel storage tanks, pipe line tanks. We will derive a certain amount of oil from them, also we hope to acquire other scrubber oil from other companies in this area. Since I have been down here I find these salt water gathering systems require tank bottoms. Of course, we'll try to buy oil from anybody that will sell to us.

Q Referring to what has been marked as Exhibit No. 1, would you discuss the installation you propose to make and its operation?

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A Well --

MR. PORTER: Could we have some copies?

A Yes, sir. You can have all of them, I have it memorized.

As I said a while ago, this is called a batch treating unit. It consists of two treating tanks, they show on this drawing to be 500-barrel tanks. The tank on the right is the selling tank. The oil is hauled in, as we receive all our oil in the plants, with truck unloaded into one or two of the unloading tanks or treating tanks where temperature is raised on it by the use of steam. Proper chemicals are added to break or nullify the emulsifying agent, and it's allowed to settle. It's skimmed from there over into the selling tank and delivered to the pipe line. It's simple if you say it quick enough. That's theoretically all there is to it. Actual practice, you run into considerable trouble in meeting your right treatments, right heats, but basically that's all there is to operating a treating plant.

Q Is this type of installation an efficient operation insofar as recovery of oil is concerned?

A We feel it to be efficient. Over a period of years, by buying and selling, we generally during the summer will average around a three percent loss, during the winter around five percent loss, which is primarily in the form of heat vapor loss.

Q Did you state what the capacity of the plant was?

A Well, the ~~through~~ capacity is approximately a thousand

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barrels a day. The selling capacity will entirely depend on the amount of recovery and the oil we happen to be running on.

Q You understand, Mr. Reagin, that the rules of this Commission require the posting of a ten thousand dollar bond, do you not?

A Yes, sir.

Q Are you prepared to make that bond?

A We are.

Q Will you comply with the provisions of the rules and regulations of the Commission in regard to reports and all matters pertaining to the operation of this plant?

A Yes, sir, I have a copy of your rules and have studied them. They are very applicable.

Q Was Exhibit 1 prepared by you or under your supervision?

A It was prepared under my supervision. It was drawn by a draftsman.

MR. KELLAHIN: At this time I would like to offer in evidence Exhibit No. 1.

MR. PORTER: Without objection the Applicant's Exhibit will be admitted to the record.

MR. KELLAHIN: That's all the questions I have.

MR. PORTER: Does anyone have any questions?

MR. NUTTER: I do.

MR. PORTER: Mr. Nutter.

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CROSS EXAMINATION

BY MR. NUTTER:

Q First, I would like to get your initials.

A W. A.

Q Will this treating plant be operated under the name of G. E. Reagin or Reagin Trucking Company, as on the exhibit?

A I'm afraid we have a confusing issue started there. All our contracts are written to G. E. Reagin, doing business as Reagin Trucking Company.

Q Is that the way the bond will be entered?

A Yes.

Q Now, you stated that you are presently, or have operated plants in Kansas, Oklahoma?

A We are at this time.

Q What states are those, Kansas, Oklahoma and Texas?

A Texas.

Q Texas?

A Yes.

Q Now, I notice on your exhibit here you don't have any tanks to unload the trucks into except the treating tanks.

A That's right.

Q So you won't have any available storage space unless you are not treating one of these tanks at the time it's unloaded?

A That's right.

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Q You also mentioned that you have already made arrangements to handle the scrubber and drip oil from Phillips Petroleum Company Gasoline Department, that you were seeking other sources, pipe line storage tanks, other scrubbers, salt water gathering systems, and also you mentioned other sources. What would be included in other sources?

A Well, I said that because I didn't know, but if something come up, why, now there's only one source that we don't fool with, we do not clean production tanks.

Q That is what I was --

A Nowhere in the United States.

Q That's what I was going to ask you, Mr. Reagin. You will not be involved in treating tanks or tank bottoms or pit oil on leases, is this correct?

A That's right.

Q This will all be pipe lines or --

A Scrubbers or --

Q -- or gasoline plants, industrial facilities rather than lease facilities?

A Yes. The only place I see the lease oil business is the oil that come into the salt water disposal system originally started on the lease.

Q But it has been severed from the lease at the time you get involved in it?



A Yes, but we do not do any work for the Production Department.

Q I wanted to make that point clear. Your father had indicated that to me when I was talking to him some time ago.

A We don't do it in Texas, Oklahoma or Kansas. We find it unprofitable.

MR. NUTTER: Thank you.

MR. PORTER: Mr. Morris.

BY MR. MORRIS:

Q Then I take it that all the oil that you will be dealing with is already charged against the allowable somewhere, you won't be dealing with any oil that has to be charged against someone's allowable?

A The only way I would hesitate to say about that is the oil of the salt water disposal system. I don't know how that is handled.

Q If you do handle oil that has not been charged against the allowable, you are aware of our rule that requires it to be charged back against the allowable, are you not?

A Well, I have a list of your rules here.

Q Yes, Rule 311, Paragraph C I believe states that you must furnish the Commission with a report of the oil that is charged back to various leases and what leases those are and you'd be willing to comply with that in the event you handled any oil



of that sort?

A Yes. That's quite similar to the tenders we run into in Texas.

Q Right. Mr. Reagin, you mentioned that you had a lease option. When does that expire?

A Sixty days.

Q From when? A 12th day of April.

MR. MORRIS: Thank you, I believe that's all I have.

MR. PORTER: For the record, I'll mention that the oil that has been recovered thus far as a result of salt water disposal operation has not been charged back against the allowable. In fact, it would be impossible to do so.

Does anyone else have a question of the witness? The witness may be excused.

(Witness excused.)

MR. KELLAHIN: That's all I have, Mr. Porter.

MR. PORTER: Does anyone else have anything to offer in Case 2253?

MR. MORRIS: Yes, sir. Mr. Examiner, I have a telegram from General Petroleum, Inc. signed by C. M. Rieder, President, which reads as follows: "Reference Case 2253, Reagin treating plant application. Protest issuance of permit. Present economics of sediment oil recovery do not warrant another permit. Three permittees in area have recovered a total of 758 barrels of



sediment oil in two years. Authorizing new plant under present economic conditions would not promote efficient processing, treating and reclaiming of oil and would tend to encourage waste and irregular practices. Applicant does not require this permit to handle drip."

MR. KELLAHIN: If the Commission please, I would like to make a comment in connection with the telegram. We are not dealing here with a matter of public convenience and necessity as to whether the economics justifies the installation of the plant or not. The only questions as I see it, under the rules of the Commission and the statute, is whether it is an efficient process or not. Certainly if an individual cares to gamble his money as to whether he can make money out of it is beside the point as far as this hearing is concerned.

MR. PORTER: Does anyone else have anything to offer in Case 2253? We'll take the case under advisement and take up Case 2254.

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STATE OF NEW MEXICO)
 : SS
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 24th day of April, 1961.

Ada Dearnley
Notary Public-Court Reporter

My commission expires:

June 19, 1963.

I do hereby certify that the foregoing is a complete record of the proceedings in the Executive hearing of Case No. 2-153, heard by me on 7 May 1961.
W. H. Porter, Examiner
New Mexico Oil Conservation Commission

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