

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date OCTOBER 8, 1986 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
Prob Hahn	Byram	Santa Fe
W. J. Kellakin	Kellakin & Kellakin	Santa Fe
Jarris Nelson	Zia Energy, Inc.	Hobbs
Don Bratton	"	"
Greg Hair	Pennzoil	Midland
Paul Bruce	"	"
<del>Kern</del>	"	"
Robert E Curtis	Standard Oil	Dallas
Robert C. Leibrock	Amerind Oil Co.	Midland
William F. Kern	Campeche Field TEYACO	Santa Fe MIDLAND
GARY KERN		
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

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I N D E X

FRANK CHAVEZ

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E X H I B I T S

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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.



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