

1 STATE OF NEW MEXICO
2 ENERGY AND MINERALS DEPARTMENT
3 OIL CONSERVATION DIVISION
4 STATE LAND OFFICE BLDG.
5 SANTA FE, NEW MEXICO

6
7 28 May 1986

8 EXAMINER HEARING

9
10 IN THE MATTER OF:

11 Application of Oilfield Services for CASE
12 an oil treating plant permit, San 8905
13 Juan County, New Mexico.

14
15 BEFORE: Michael E. Stogner, Examiner

16
17 TRANSCRIPT OF HEARING

18
19 A P P E A R A N C E S

20 For the Division: Jeff Taylor
21 Attorney at Law
22 Legal Counsel to the Division
23 State Land Office Bldg.
24 Santa Fe, New Mexico 87501

25 For the Applicant: W. Perry Pearce
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I N D E X

JERRY FINNEY

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MR. STOGNER: We're going to go now and call Case Number 8905.

MR. TAYLOR: The applicant of Oilfield Services for an oil treating plant permit, San Juan County, New Mexico.

MR. STOGNER: Call for appearances.

MR. TAYLOR: May it please the Examiner, I am W. Perry Pearce of the Santa Fe law firm of Montgomery and Andrews, P. A., appearing on behalf of the applicant in this matter.

I have one witness who needs to be sworn.

MR. STOGNER: Are there any other appearances?

MR. PEARCE: No, sir.

MR. TAYLOR: Mr. Pearce, is that the correct name, Oilfield Services? There's no Inc. or company or anything?

MR. FINNEY: Oilfield Services, Incorporated.

MR. TAYLOR: It's incorporated?

MR. PEARCE: Yes, sir.

MR. FINNEY: We have incorpor-

1 ated.

2 MR. TAYLOR: Okay.

3

4 (Witness sworn.)

5

6 JERRY FINNEY,

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

9

10 DIRECT EXAMINATION

11 BY MR. PEARCE:

12 Q Thank you, sir. For the record would you
13 please state your name, business address, and position of
14 employment, please?

15 A My name is Jerry Finney. I am employed
16 by Vice President of Oilfield Services, Incorporated, of
17 Bloomfield, New Mexico.

18 Q All right, Mr. Finney, I'll ask you to
19 refer to what I have marked as Exhibit Number One to this
20 matter and describe for the examiner and those in attendance
21 what this document is.

22 A This is our application to the Commission
23 for a sediment oil treatment plant.

24 Q Okay. So referring to that exhibit would
25 you briefly outline for the examiner what we're seeking to-

1 day?

2 A Seeking a permit to reclaim oil from pro-
3 duced pits and then make it usable, usable oil.

4 Q All right, sir, referring to paragraph
5 number three of the application, I note that the application
6 indicated that the applicant expected to reclaim approxi-
7 mately 300 barrels of salable crude oil per day. I believe
8 you've indicated to me previously that that was an error in
9 that application.

10 What is the appropriate figure, please,
11 sir?

12 A We're hoping -- looking at up to 750 bar-
13 rels a day.

14 Q All right, sir, thank you.

15 I would ask you now, if you would,
16 please, sir, to refer to what has been marked as Exhibit
17 Number Two to this proceeding and if you would please dis-
18 cuss for the examiner and those in attendance the contents
19 of that exhibit, please.

20 A Okay. This is our layout of the oil
21 treatment plant.

22 We start off by unloading into the scrub-
23 ber tank, which is to your left. This is as truck unloads
24 scrubber tank, which is filled with approximately half
25 volume of water, clean water. We pump the oil into that

1 tank which will assist in knocking out trash, sand, any
2 other sediment such as that; actually cleans the oil to a
3 certain degree.

4 Then it flows from the top through the
5 oil equalizer line into the treater tank, which we then will
6 treat with chemicals approved by the refinery and the pro-
7 duced water treated out will flow into the water tank just
8 above it.

9 If there is additional treatment needed,
10 we will run it from that treater tank in through the pump
11 around to the right, far right, up to the half million BTU
12 heater, which is powered by either natural gas or butane,
13 and heat treat it to the lowest -- lowest temperature pos-
14 sible to get required knockout. Then we return it to the
15 sales tanks, either Sales Tank One or Sales Tank Two.

16 The condensate above the Sales Tank Num-
17 ber Two is there for when we do have heavier grade oil that
18 comes into some of these pits, we have to blend it up using
19 some condensate purchased from Gas Company of New Mexico or
20 various pipeline companies, whatever, and that will blend it
21 up to a salable quality.

22 And that's basically all we have.

23 Q All right, so you indicated that there
24 were certain chemicals involved in the treater tank process.
25 What happens to those chemicals?

1 A Those chemicals remain in the oil as part
2 of the -- part of the oil nature itself. It is an approved
3 chemical. The refineries tested it and they approved of it.
4 It does not cause organic chlorides. It does not affect the
5 water in any way.

6 Q All right, sir. You have described the
7 eventual destination of the crude products, being the sales
8 tanks. What happens to the water that is removed from the
9 stream, please, sir?

10 A The water which is then -- it's classi-
11 fied as produced water, that will be taken to -- we've al-
12 ready made arrangements with Hicks Oil and Gas for their in-
13 jection of the water into their Hicks Oil and Gas Well No.
14 1, which is south of Farmington.

15 Q That is a commercial --

16 A Correct.

17 Q -- produced water disposal injection
18 well?

19 A Yes, sir, it is.

20 Q All right, sir. Is it your intention,
21 Mr. Finney, when sufficient sludge -- sludge finally accumu-
22 lates in the treater tank, to dispose of that after, consul-
23 tation with the staff of the Oil Conservation Division, in
24 an approved manner?

25 A Yes, sir.

1 Q All right, sir. I notice in paragraph
2 five of your application, which is Exhibit Number one, it
3 discusses the provision of a bond to the Oil Conservation
4 Division as required.

5 Has that bond been applied for and are
6 you in the process of securing that bond at this time?

7 A Yes, sir.

8 Q And it is your intention to have that
9 bond in place prior to operation, is that correct?

10 A Yes, sir.

11 Q Thank you.

12 MR. PEARCE: I have nothing
13 further at this time, Mr. Examiner.

14

15 CROSS EXAMINATION

16 BY MR. STOGNER:

17 Q Mr. Finney.

18 A Yes.

19 Q What are some of the capacities on these
20 tanks?

21 A Those are all 400 barrel tanks. All are
22 above ground. There is no below ground storage and we will
23 have berm capabilities of one and a half times the amount of
24 the capability of the tank surrounding the area. It will be
25 fenced with a chain-link fence, with a sign, an appropriate

1 sign, stating the operation, section, township, and range on
2 the pits.

3 Q In the treater tank you said that chemi-
4 cals would be used. Do you know what chemicals will be used
5 in this --

6 A The chemical used right now is Bi-Chemi-
7 cal (sic) Company's D-waxol.

8 Q Okay, do you know the spelling on that?

9 A D-w-a-x-o-l.

10 Q Okay, I thought you said B-wax.

11 A Oh, I'm sorry.

12 Q Are there any houses, residences, struc-
13 tures, dwellings, within the immediate area of this particu-
14 lar operation?

15 A The nearest house is approximately, pret-
16 ty close to 1000 yards away.

17 Q 1000 yards away, so this is in a fairly
18 rural area.

19 Whereabouts in San Juan County is this?

20 A Okay, this -- this area here, that house
21 is near it, is one of two houses within a mile of it, so it
22 is a pretty open area and we are located a mile and a half
23 south of Bloomfield and one and a half mile west of Highway
24 44. There's a --

25 Q Are you on the north or south side of the

1 San Juan River?

2 A South side of the river by three-quarters
3 of a mile.

4 Q Okay, where are you at in relationship
5 with the -- the old Plateau Refinery?

6 A We are within a mile of their refinery.

7 Q Does the Hammond Ditch, what is known as
8 the Hammond Ditch, run somewhere around this area?

9 A Around a half a mile away.

10 Q Half a mile away. Are you up off the
11 flood plain of the river or up on top of the bluffs on the
12 south side of the river?

13 A We're on top of that hill, the highest
14 point you can reach on top of that hill off the river on the
15 south side. There currently is a crusher in operation over
16 there. We were not the highest but since they've taken the
17 hill down, we're the highest.

18 Q Because it's there, yes.

19 You mentioned that a chain-link fence
20 will be around -- surrounding the area. Will there be a
21 locked gate, a gate, what kind of security to deter any mid-
22 night haulers?

23 A Yes, sir, there's going to be a locked
24 gate on the facility, one gate. The valve, the valve for
25 unloading the sales tanks and for unloading water into the

1 scrubber tank and the unloading of the water from the pro-
2 duced water tank, will be the only valves on the condensate
3 tank.

4 Those valves will be -- we will have a
5 dibble (sic) valve system on there with a lock on the out-
6 side one, if it's going to deter them, but then the other
7 gate, other -- there's going to be another valve on the in-
8 side against the tank with a locked gate on the fence, six
9 foot chain-link fence.

10 Q But nobody staying out there on a 24-hour
11 --

12 A Oh, yes, sir, we do -- we will -- okay,
13 not on a 24-hour a day basis, but we will have an office
14 trailer right in the immediate area there.

15 Q And this will be manned eight, twelve
16 hours a day.

17 A Right, right.

18 Q Is this on State, Federal, or fee lands?

19 A This is private land.

20 Q Private, fee. I'm sorry, I didn't under-
21 stand. Thank you for clarifying that for me.

22 Have you been in contact with Mr. Frank
23 Chavez or any of his staff in the Aztec office?

24 A Yes, sir, I'm in constant contact with
25 them.

1 Q Okay, are you in contact with Mr. Dave
2 Boyer or any of his staff?

3 A Jami Bailey.

4 Q Jami, okay.

5 MR. STOGNER: I have no further
6 questions of this witness.

7 Are there any other questions
8 of Mr. Finney?

9 MR. PEARCE: Mr. Examiner, I
10 need to move the admission of Exhibits One and Two to this
11 proceeding, please.

12 MR. STOGNER: Exhibits One and
13 Two will be admitted into evidence at this time.

14 Are there any other questions
15 of Mr. Finney?

16 There being none, he may be ex-
17 cused.

18 Is there anything further in
19 Case Number 8905?

20 MR. PEARCE: Nothing further,
21 Mr. Examiner.

22 MR. STOGNER: If not, this case
23 will be taken under advisement.

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(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. 8905 heard by me on 28 May 1986.

Michael E. Stegman, Examiner
Oil Conservation Division