

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO

9 January 1986

EXAMINER HEARING

IN THE MATTER OF:

Application of Enersource, Inc., for      CASE  
an oil treating plant permit, Lea      8797  
County, New Mexico.

BEFORE: David Catanach, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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MR. CATANACH: We'll call next  
Case 8797.

MR. TAYLOR: The application of  
Enersource, Incorporated, for an oil treating plant permit,  
Lea County, New Mexico.

MR. GOSS: May it please the  
Commission, I'm Warren Goss. I represent Enersource.

I'm associated with Mr. Bob  
Love out of Hobbs.

We would ask that the Commis-  
sion consider the application as evidence in this cause and  
that the application with attendant exhibits be accepted as  
an exhibit and we have with us today two witnesses that  
would ask to be sworn, Mr. Pearson and Mr. Payne.

MR. CATANACH: Are there any  
other appearances in this matter?

MR. IVES: Peter Ives, with  
Campbell and Black, appearing on behalf of Petroleum  
Processing, Incorporated, and Oil Processing, Incorporated.

I have no witnesses but I have  
a few questions for the witnesses for Enersource.

MR. GOSS: If we may be allowed  
an opening statement.

MR. TAYLOR: Will all witnesses

1 please stand and be sworn at this time?

2

3

(Witnesses sworn.)

4

5

6

7

8

MR. GOSS: Enersource caused this application to be filed pursuant to the Commission rules with the attendant explanation of operations that will be performed.

9

10

11

12

The location of the proposed treating plant is about two miles southwest of Monument, New Mexico. We have a specific legal description in our application.

13

14

15

16

The operation of the plant was heretofore performed under the name of Famariss Refinery, which for a number of years operated at the same specific location.

17

18

19

That location was then purchased by Southern Union and was operated by Southern Union for a number of years.

20

21

22

23

It was thereafter abandoned and posed what Enersource saw as a tremendous resource and was purchased by Enersource to be reactivated as a treating facility.

24

25

The total area is approximately ten acres with roughly 50,000 barrels of storage.

1                   The raw storage facility encom-  
2 passes approximately 40,000 barrels and the sales storage  
3 area is approximately 10,000 barrels.

4                   These are separated by the heat  
5 treatment facility, which lies in the middle of the two  
6 areas, by at least 100 yards on each side.

7                   The area has been designated  
8 exclusively to refining use in the past. The El Paso  
9 Natural Gas refining facility is approximately a quarter  
10 mile away and is the nearest activity.

11                  We will operate the facility on  
12 a 24-hour day schedule, if approved by the Commission. It  
13 will be manned 24 hours a day. There will be all appro-  
14 priate safety precautions taken to protect the environment  
15 and to protect the individuals that will be employed.

16                  There will be no free release  
17 of any type of gas into the environment. There will be --  
18 all solids will be disposed of at appropriately classified  
19 facilities. The water that is produced is -- we have an  
20 agreement with Rice Engineering to enter a pipeline which is  
21 immediately adjacent to the facility.

22                  The facility will incorporate  
23 probably a dozen new jobs for the local economy. We have  
24 already secured contracts that will guarantee a minimum of  
25 10,000 barrels per month and any economic consideration that

1 can be manifest would have to be in the favor of Enersource.

2 I'll close with that and refer  
3 any engineering questions to Mr. Pearson, who is our Chief  
4 Engineer; any operation questions to Mr. Payne, who's our  
5 General Manager.

6 MR. CATANACH: Mr. Ives, do you  
7 have any statements at this time?

8 MR. IVES: No, I don't have an  
9 opening.

10 MR. CATANACH: You may proceed,  
11 Mr. Goss.

12 MR. GOSS: We would ask for ap-  
13 proval, then, based on our application.

14 I would ask Mr. Pearson to sim-  
15 ply recite what safety requirements, as far as dikes, he  
16 feels are needed at the facility. We have firewalls in  
17 place and I don't feel like that there's virtually anything  
18 else that needs to be done as far as safety is concerned.

19 We do own all the adjacent land  
20 for ten acres and intend to place dikes that will contain  
21 any spill.

22 MR. CATANACH: Mr. Goss, can  
23 you have your witness go over the general construction of  
24 the plant and the general operation?

25 MR. GOSS: Sure. Mr. Pearson?

MR. PEARSON: I'm Mike Pearson.

1 MR. GOSS: Do you have copies  
2 of the application we mailed in to the Oil Commission? If  
3 you don't, I have them.

4 MR. CATANACH: We do have one.  
5 Do you not have other copies?

6 MR. GOSS: I have more.

7 MR. PEARSON: Let me describe  
8 how the system will work, first, with this diagram.

9 MR. GOSS: And we'd ask that  
10 all of these need to be marked as exhibits. I think they  
11 come in under our application request but let's go ahead and  
12 mark them and include them as exhibits.

13 MR. CATANACH: Yes.

14 MR. PEARSON: Does Mr. Ives  
15 need a copy of this, too?

16 MR. IVES: Yes.

17 MR. PEARSON: Okay. Now this  
18 is not a to scale diagram. It's just a diagram to explain  
19 how the system works.

20 We will be taking oil from,  
21 skim oil from disposals and from surrounding pits in the  
22 neighborhood and also in Texas and our contracts that we  
23 have now are coming from pits and disposal systems, so it's  
24  
25

1 a waste oil.

2 It's not a pipeline quality oil  
3 and our intentions are to make it pipeline quality oil by  
4 removing water and, you know, the BS and W content.

5 The oil will first come into --  
6 it will be trucked in to this first tank on the left and it  
7 will have internal lines and it will mix chemicals in the  
8 tank, roll the oil, and then it will be pumped from there  
9 into the oil storage.

10 The large capacities that War-  
11 ren Goss mentioned earlier are the storage tanks for us to  
12 store all the oil, and we will put -- each tank is -- will  
13 be designated for a certain BS & W content.

14 For instance, like your best BS  
15 -- your best oil will zero to 10 percent BS & W content.

16 Your next tanks will be 11 to  
17 25 percent BS & W.

18 Next 26 to 40.

19 Next 41 to 55; 55 to 70; and  
20 then 70 percent and over; and then we have mud oil, which is  
21 the solids (not clearly understood.)

22 And what we intend to do is to  
23 pump the incoming oil into this first tank and then desig-  
24 nate it to which tank it's categorized to according to BS &  
25 W.



1 It will have time to settle out  
2 there from the chemicals that we've added.

3 Then we'll move each tank, the  
4 oil in each tank from the top of the tank to the next tank  
5 so you're improving the BS & W content as it's moving, until  
6 it ends up in the zero to 10 percent tank, and then from  
7 that point we'll pump it to a flashing tower, which here is  
8 represented as a cracking tower. It's actually a flashing  
9 tower. It will be kept at 300 degrees Fahrenheit with a 9-  
10 million BTU heater, and it will boil off your high incident  
11 of water, and this flashing tower, or cracking -- yeah,  
12 flashing tower will be at a constant level all the time. We  
13 have appropriate safety precautions on it, popoff valves, et  
14 cetera. It will be operating at 25 psi maximum, and at the  
15 bottom of this tower we'll pull off the BS & W content and  
16 pump it to the mud oil tanks. We'll sell it to drilling  
17 rigs for drilling mud and mud when they get stuck in the  
18 hole.

The good oil will be pulled off the top  
of this tank and then into a condenser to cool the oil  
and then into an oil sales tank.

22                    Now all this is self-contained. There is  
23 nothing is open to the atmosphere. It's complete, pressur-  
24 ized, self-contained system.

25 The condensate and water that boils off

1 through your flashing tower, it will be pumped through a  
2 condenser which in turn is condensed down into a liquid  
3 state, and then pumped through a gunbarrel which will separ-  
4 ate your oil from your high ends, I mean your water from  
5 your high ends, and your high ends will go to the sales tank  
6 to be mixed in with -- or to a storage tank and then be  
7 mixed with the oil that we already processed, which will  
8 raise the gravity of the oil and then we'll sell that.

9 The water will be going to a water stor-  
10 age tank and then a pipeline to Rice Engineering, which is  
11 adjacent to our property.

12 I've got some more diagrams here, too. Any  
13 questions on that so far?

14 MR. CATANACH: No.

15 MR. PEARSON: Mr. Ives?

16 MR. IVES: No.

17 MR. PEARSON: Okay, I'd like to  
18 submit Exhibit B in Case 8797, which is a location plat of  
19 the properties, and it is to scale.

20 Okay. This property was  
21 originally purchased from -- or we purchased it from South-  
22 ern Union Refinery. Just adjacent to our property due north  
23 is Warren Petroleum Refinery.

24 Adjacent to our property to the  
25 east is El Paso Natural Gas.

1                   Now, I also want to submit Exhibit C,  
2 Case 8797, which is a working diagram of existing tanks that  
3 are still out there now.

4                   Okay, when Southern Union Refinery oper-  
5 ated this refinery, they made diesel oil and kerosene and  
6 all your different by-products. That's not our intention.  
7 All our intentions are is to take oil with a high BS & W  
8 content, mostly from skim oil tanks, oil spills, and things  
9 like that, which are harmful to the environment, reclaim  
10 these into pipeline quality oil, and sell that into the oil  
11 companies, and then sell your by-products, which are your  
12 solids, to the drilling companies.

13                   In this to-scale drawing in Exhibit C,  
14 these tanks already exist out here. There is, on the east  
15 side of the diagram it shows a wall, concrete wall, going  
16 around -- it's a concrete block wall that goes around the  
17 tanks on the oil storage side.

18                   The heater itself will be located right  
19 in the center, which is approximately 500 feet from your in-  
20 coming storage tanks and approximately 300 feet from your  
21 oil sales tanks, so that we're keeping heat away from any of  
22 the oil storage for safety purposes. This diagram illus-  
23 trates the flow characteristics of the Enersource, that  
24 Enersource intends to put to -- to utilize to make the sys-  
25 tem operate.

1                   It using the existing tanks that were al-  
2 ready there when Southern Union Refinery was in operation,  
3 and that's it.

4                   MR. CATANACH: Mr. Ives, do  
5 you have questions?

6                   MR. IVES: Just a couple of  
7 questions.

8                   You testified that Southern  
9 Union made diesel oil and I forget what else at this  
10 facility previously.

11                   Do you know what that was, the  
12 other product?

13                   MR. PEARSON: I think they made  
14 diesel, naphtha, kerosene, flight fuel, and to my knowledge,  
15 that's all. There may be more.

16                   MR. IVES: Have you made any  
17 safety design changes to any of the equipment on the site in  
18 connectin with your use of the facility that would be re-  
19 quired by the products which you are producing as opposed to  
20 those Southern Union was producing?

21                   MR. PEARSON: Well, the pro-  
22 ducts that we're producing are less flammable than they pro-  
23 duced.

24                   See, what Union oil -- I mean  
25 what Union Refinery produced was highly flammable material,

1 such as, oh, your gasoline, flight fuels. We won't be pro-  
2 ducing that. Our intention is to refine the oil, to break  
3 it down into different components, is strictly to take an  
4 oil that has a large contaminant amount in it and change it  
5 to an oil with less impurities, but it's not actually break-  
6 ing it down to the point to where you have your different  
7 by-products.

8 MR. IVES: And this design of  
9 the plant safety features there now are, in our estimation,  
10 adequate for doing that.

11 MR. PEARSON: Yes. They're  
12 adequate to doing that purpose. I feel like the safety  
13 features are equal to what Southern Union Refinery had and  
14 they in turn went a step further to refine by-products,  
15 which we won't, which were more flammable.

16 MR. IVES: So you haven't made  
17 any actual changes to the various items of equipment on site  
18 in connection with processing for a different purpose.

19 MR. PEARSON: The only -- we  
20 haven't done any actual changing from that standpoint. We  
21 have moved some tanks, the tanks that are 1000 barrels or  
22 less, we have moved, but, of course, tanks that are larger,  
23 your 10,000 or 5,000 barrel tanks, you can't move those.  
24 They're too big. It's impossible to move them without tear-  
25 ing them up.

1 MR. IVES: Those are all the  
2 questions I have.

3 MR. CATANACH: Mr. Pearson, the  
4 capacity of your system is what?

5 MR. PEARSON: The maximum capa-  
6 city would be limited by your heat involved. Our heater is  
7 built for 9-million BTUs, which in turn should be able to  
8 produce 5000 barrels a day.

9 Our intentions are to operate  
10 it at 1000 barrels a day. As far as, back to the safety  
11 thing, again, when we get in operation we'll probably be  
12 running 24 hours a day, which means you'll have somebody  
13 there all the time and in my opinion that makes a safer  
14 place when you do have someone -- a manned system all the  
15 time.

16 But maximum capacity is 5000  
17 barrels a day of net crude, pipeline quality crude, and  
18 we're shooting for an average of 1000 to start up.

19 MR. CATANACH: 1000 barrels a  
20 day.

21 MR. PEARSON: Yes, sir. And we  
22 -- we have contracts, most of them coming out of Texas,  
23 which bring in oil from Texas to New Mexico to be processed.

24 MR. CATANACH: I understand  
25 there will not be any pits on the location.

1 MR. PEARSON: No, sir, there  
2 won't be.

3 MR. CATANACH: So all your  
4 storage and sales facility will be in tanks.

5 MR. PEARSON: Yes, sir.

6 MR. CATANACH: The water that  
7 you produce will be disposed of thorough Rice Engineering?

8 MR. PEARSON: Through Rice En-  
9 gineering Pipeline. We have a letter stating that they will  
10 take our, you know, our water.

11 MR. CATANACH: Does Rice Engin-  
12 eering have a disposal well?

13 MR. PEARSON: Yes, Rice Engin-  
14 eering, that's all Rice Engineering does do. They have  
15 pipelines to go to oil wells and facilities like what we're  
16 intending to put in to disposal wells.

17 The original plant that was  
18 here, Southern Refinery, they also disposed with Rice Engin-  
19 eering.

20 MR. CATANACH: And does he have  
21 -- does Rice Engineering have the capacity to dispose of  
22 sufficient waters?

23 MR. PEARSON: Yes, sir.

24 MR. CATANACH: The solids and  
25 the sludge and solids that you produce will be disposed of

1 how?

2 MR. PEARSON: Okay. The bulk  
3 of the solids and sludge, which are high BS & W content and  
4 paraffin, we will be selling to drilling companies for a  
5 drilling mud whenever they're stuck in the holes or they  
6 want to set casing, and you can circulate this, which to us  
7 is, actually, our trash when we're through, but we can sell  
8 it to them at a pretty low price and they can circulate it  
9 in the hole and then they can set casing without danger of  
10 getting their casing stuck, and we intend to do that.

11 If there's an excess of the  
12 solids or if the solid content is too high, we will haul it  
13 to Parabo Disposal in Eunice, New Mexico, which is author-  
14 ized to accept this type of material.

15 MR. CATANACH: Approximately  
16 how much oil do you think you can recover? Do you have any  
17 idea?

18 MR. PEARSON: You mean like --  
19 I don't understand what you're saying.

20 MR. CATANACH: Through the sys-  
21 tem, I mean, how much -- what percentage of oil do you think  
22 you can recover?

23 MR. PEARSON: 5000 barrels a  
24 day.

25 MR. CATANACH: 5000 barrels of



1 oil?

2 MR. GOSS: Well now, the per-  
3 centage of recovery as opposed to what we get in?

4 MR. CATANACH: Yes, what is  
5 that?

6 MR. GOSS: Okay, probably it's  
7 going to vary, depending on how much we get, but Mike, you  
8 understand, if you could answer that as to the percentage or  
9 the shakeout.

10 MR. PEARSON: Like I said, I  
11 would say our average oil would be coming in, I'll also have  
12 to direct this to John, you think the average oil coming in  
13 would be 40 to 50 percent?

14 MR. PAYNE: Our average oil  
15 that will be coming in approximately about 40 or 50 percent.  
16 You take 100 barrels of maybe 50 percent stuff, you're look-  
17 ing for -- you may have 50 barrels of oil.

18 No one can reclaim 100 percent  
19 net of that 50 barrels; you're looking for, you can reclaim  
20 approximately 40 to 43 barrels at the most recovery. No one  
21 with no system can recover 100 percent.

22 MR. CATANACH: One more -- one  
23 more question.

24 In the area where you have the  
25 tanks, did you say you have a firewall within --

1 MR. PEARSON: Yes, sir. There,  
2 in your high ends condensate storage, which is your more  
3 flammable material, we will mix that with your crude oil  
4 that we're going to sell. Now this is -- it's not enclosed,  
5 like it doesn't have a roof on it or anything, but there is  
6 a concrete block wall approximately 4-foot high that goes  
7 around, but what I'm talking about is a dike that would hold  
8 fluids in case any of the tanks would leak.

9 MR. PEARSON: I assume that  
10 Southern Union Refinery, when they operated it, we haven't  
11 changed the, you know, this part of the system at all, as  
12 far as moving any of these tanks. This is where they kept  
13 all their fluids that are apt to be giving you trouble be-  
14 cause of such a high gravity leak (not clearly understood)  
15 tank if you're going to have it (not clearly understood.)

16 They built this wall, I'd say,  
17 for this purpose and it's already there and we'll use it in  
18 the future for that purpose, too.

19 MR. PAYNE: Is your question,  
20 excuse me, oriented toward a dike around the entire facility  
21 or just the outgoing --

22 MR. CATANACH: Around the two  
23 main sites for all the tanks.

24 MR. PAYNE: We do not have a  
25 dike at this point around the incoming facility, raw goods

1 coming in.

2 It is our intention to put a  
3 dike around there sufficient to hold at least one tank's  
4 leakage.

5 MR. CATANACH: Okay. I have no  
6 further questions of the witness.

7 MR. GOSS: If there are no  
8 other questions of this witness, or Mr. Payne, we would rest  
9 and close and ask for approval.

10 MR. CATANACH: Are there any  
11 other questions of the witness? Mr. Ives?

12 MR. IVES: Yeah, I do have a  
13 couple of more questions.

14 Just so I'm clear on the point  
15 you were just speaking about, where the dike will be going,  
16 in Exhibit C is that to go around the tank storage on the  
17 righthand side of the --

18 MR. PAYNE: That's correct.

19 MR. IVES: -- diagram there?

20 MR. PEARSON: And also around  
21 the lefthand side, too.

22 MR. PAYNE: That's -- we have  
23 that already. We have the fence around on the lefthand  
24 side.

25 MR. PEARSON: The righthand

1 side is where the fence is. The fence, see, this is a con-  
2 crete block --

3 MR. PAYNE: Yeah, right here,  
4 and we're putting one --

5 MR. PEARSON: Yeah, we're put-  
6 ting a dike around the other side.

7 MR. IVES: So both sides would  
8 be protected.

9 MR. PEARSON: (Not clearly un-  
10 derstood.)

11 Are we allowed to ask any ques-  
12 tions?

13 MR. CATANACH: No.

14 MR. PEARSON: All right.

15 MR. IVES: I've got a couple of  
16 more. You indicated that most of your contracts were out of  
17 Texas. Do you have some proportional count of how much is  
18 coming out of Texas as opposed to within state?

19 MR. PAYNE: No, we don't.

20 MR. IVES: But just most of  
21 them, at this point in time, are from Texas?

22 MR. PAYNE: At this point  
23 everything that we have, it will take care of our capacity,  
24 it appears.

25 MR. IVES: So you anticipate

1 getting some 5000 barrels out of Texas per day?

2 MR. PAYNE: No, we're talking  
3 about 1000 to start up and we believe that we will be able  
4 to fulfill that capacity. At this point we have been as-  
5 sured, but we don't have it in writing, that that capacity  
6 will be filled out of Texas.

7 MR. IVES: Just a general ques-  
8 tion with regards to any other permitting procedures or cer-  
9 tification processes, do you have any other permits or cer-  
10 tifications that you are required to seek before you begin  
11 operation of the plant?

12 MR. PEARSON: Well, the first  
13 permit we have to get, of course, is from the Oil Commission  
14 before we can start operations. That's our first step, you  
15 know.

16 After that you have to be  
17 bonded before you can get the second step and we plan on ac-  
18 quiring what permits are necessary to operate legally in New  
19 Mexico.

20 The first step is what we al-  
21 ready have.

22 MR. IVES: Just curious to know  
23 if you were anticipating seeking permits or certificates in  
24 connection with operations from either the State Engineer or  
25 the Environmental Improvement Division or the State Corpora-

1 tion Commission.

2 MR. PAYNE: In what respect,  
3 now?

4 MR. IVES: In respect to the  
5 operation of the plant.

6 MR. PAYNE: If you could be  
7 specific as to what you're talking about, that you're asking  
8 if we're seeking.

9 MR. IVES: Well, I'm not sure,  
10 given what you've described of your operation, whether or  
11 not you need something from the State Corporation Commis-  
12 sion. I assume -- well, let me just ask.

13 Will you be operating your own  
14 trucks?

15 MR. PAYNE: Yes, we possibly  
16 will be, but we have to get the Division's approval and they  
17 in turn will issue a necessary permit, is my understanding,  
18 after we secure approval.

19 Then we have to go through a  
20 number of different highway divisions to seek approval, but  
21 this is the first step.

22 MR. IVES: That was my question  
23 generally, what are -- what are those steps that you'll be  
24 going through before you begin operations?

25 MR. PAYNE: I don't know all of

1    them at this point.

2                                   MR. IVES:    Which ones are you  
3    aware of?

4                                   MR. PAYNE:    I'm aware of the  
5    one I just mentioned.

6                                   MR. IVES:    All right, highway  
7    department?

8                                   MR. PAYNE:    Yes, that's right.

9                                   MR. IVES:    Within the State of  
10   New Mexico?

11                                   MR. PAYNE:    Yes, and Texas.

12                                   MR. IVES:    And Texas, as well.

13   Are you going to own your own trucks?

14                                   MR. PAYNE:    Yes, we are.

15                                   MR. IVES:    So will you be seek-  
16   ing any sort of authority from the Interstate Commerce Com-  
17   mission for --

18                                   MR. PAYNE:    We'd have to have  
19   that (not clearly understood).

20                                   MR. IVES:    How about with the  
21   Environment Improvement Division?

22                                   MR. PAYNE:    We will secure  
23   whatever permits are necessary for our legal operation.

24                                   MR. IVES:    In connection with  
25   Parabo at Eunice, New Mexico, I believe Mr. Pearson indi-

1 cated that if you can't sell your waste materials --

2 MR. PAYNE: Uh-huh.

3 MR. IVES: -- to the drilling  
4 companies, you'll take it to their plant.

5 MR. PAYNE: Uh-huh.

6 MR. IVES: Is there plant --  
7 does their plant have sufficient capacity to take any waste  
8 that you might have and I assume you have those contracts in  
9 place at this point in time, or is that something --

10 MR. PAYNE: Well, they are an  
11 open ended offer, as far as Parabo is concerned. You know,  
12 they're going to take what we bring.

13 MR. PEARSON: That's their bus-  
14 iness, is taking that kind of stuff.

15 MR. IVES: I assume their capa-  
16 city is not unlimited and that they're probably taking  
17 waste from other operators and that at some point in time  
18 they may be precluded from taking from everybody.

19 MR. GOSS: I think that hypo-  
20 thetical is a possibility.

21 MR. PEARSON: Within time I  
22 think we'll probably have our own processing plant to pro-  
23 cess the waste into by-products is our intention for the  
24 future, other than the drilling mud.

25 But our first step is to get



1 this plant running. After it's running, then we'll build  
2 some more plants to break down these other products, the  
3 paraffin, asphalt, et cetera, et cetera.

4 MR. IVES: Would the processing  
5 plant which you're speaking of subsequently building be lo-  
6 cated on this same site, or --

7 MR. PEARSON: No, and that is  
8 in the future. We're not making application for that at  
9 this time.

10 MR. IVES: You indicated in  
11 your opening statement that you had the capacity to handle  
12 some 40,000 barrels of raw materials and sales of 10,000.

13 MR. GOSS: Correct.

14 MR. IVES: How quickly do you  
15 anticipate getting into that scale of operation?

16 MR. GOSS: I would hope very  
17 quickly. Generally, I would say it's going to take us six  
18 months to achieve that level.

19 MR. IVES: And would, again,  
20 most of the raw materials be coming out of Texas?

21 MR. GOSS: At the end -- at  
22 maximum capacity?

23 MR. IVES: Yes.

24 MR. GOSS: I don't know.

25 MR. IVES: Are you aware gener-

1 ally of the capacity at which other plants, treating plants  
2 in the area of Monument, New Mexico, are operating at the  
3 present time?

4 MR. GOSS: Yeah, we are aware.  
5 In fact, we own facilities in Texas and we sell to these  
6 other plants. That's one reason we've had to do this, is  
7 because I believe one of your clients owes us \$20,000 and we  
8 can't get it out of them, and it's very difficult to do bus-  
9 iness that way.

10 MR. IVES: I'm not sure who --

11 MR. GOSS: Oil Processing.

12 MR. IVES: -- who you are when  
13 you say one of my clients owes you money.

14 MR. GOSS: Okay, I also repre-  
15 sent Pureflow, Incorporated, out of Andrews.

16 MR. IVES: They aren't present  
17 here today, so they aren't --

18 MR. GOSS: Sir, they are pre-  
19 sent constructively, I promise you.

20 MR. IVES: Well, they've made  
21 no appearances here and they aren't concerned --

22 MR. GOSS: Your question was  
23 did I know the capacity.

24 MR. IVES: Yeah.

25 MR. PAYNE: I would assume they

1 are at capacity at this time or that they have stopped pro  
2 ducing because I know that they have not paid a client of  
3 mine.

4 MR. IVES: Okay. Let me just  
5 ask a general question. I suppose it would be most correct-  
6 ly directed to Mr. Payne.

7 Were you previously employed by  
8 Oil Processing?

9 MR. PAYNE: Yes, sir.

10 MR. GOSS: And you might ask  
11 them when they're going to pay that, I'd appreciate it.

12 MR. IVES: Mr. Examiner, I'd  
13 like to ask that these remarks, which are collateral be --

14 MR. GOSS: I withdraw that,  
15 please.

16 MR. IVES: What is your under-  
17 standing as to the amount of water which you will be trans-  
18 porting to Rice and its capacity to handle that water?

19 MR. PEARSON: What do you mean,  
20 what is my understanding? What the purity of the water is?

21 MR. IVES: More just in terms  
22 of quantity. I think you indicated generally that they had  
23 the ability to handle any water which you produced. Do you  
24 know what the limits on their capacity are?

25 MR. PEARSON: I don't know what

1 their limits are. I do know that they take possibly, to my  
2 knowledge, probably 20-million barrels of water a month, to  
3 my knowledge, and I would say probably it would be more than  
4 that, but I do know of wells that they have connected to the  
5 pipeline, and that we don't plan on sending 20-million bar-  
6 rels by any means. If we're going to only do 5000 barrels a  
7 day of water -- I mean of oil, there's no way we're going to  
8 do that.

9 MR. GOSS: And that's going to  
10 be a variable, too, based on the percentage of water content  
11 and the percentage of BS & W content or impurities.

12 MR. IVES: I think that's all I  
13 have, Mr. Examiner.

14 MR. CATANACH: Are there any  
15 other questions of the witnesses?

16 MR. GOSS: Can we answer any  
17 questions for the Examiner or the Commission past what we've  
18 already presented?

19 MR. CATANACH: I have none.

20 MR. IVES: Could I ask one --  
21 one final question in regards to the application?

22 What's the present status of  
23 construction at the plant?

24 MR. PEARSON: Our present sta-  
25 tus, I have visited with the Commission in Hobbs, and Mr.

1     Sexton has given me approval to go up and just clean up.  
2     We're out there cleaning up, chopping weeds.

3                     We have not started any actual  
4     construction except like sweeping out tanks, washing tanks,  
5     with all OSHA approved safety equipment on hand at the time  
6     we're doing it, with a safety engineer from Walters  
7     Construction.

8                     The people I have that are  
9     working out there at this time all carry the OSHA approved  
10    cards.

11                    MR. CATANACH: Is there any-  
12    thing further of the witness?

13                    If not, he may be excused.

14                    Is there anything further in  
15    Case 8797?

16                    If not, it will be taken under  
17    advisement.

18

19                    (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 that 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. 8797,  
heard by me on Jan 9 1986.

David R. Catanzano, Examiner  
Oil Conservation Division

## NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARINGSANTA FE, NEW MEXICOHearing Date JANUARY 9, 1986 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
William L. Carr	Campbell and Black, P.A.	Santa Fe
Paul Kautz	OCD	HOBBS
Peter W. Jones	Campbell & Black	Santa Fe
John R. Stark	Southland Royalty Co.	Midland
Dale W. Christie	El Paso Natural Gas Co.	El Paso
H. L. Kabe Keadrich	" " " " "	" " " " "
Harold Dean	OCO S.F.	S.F.
Jim Bruce	Hinkle Law Firm	S.F.
W. J. Kellobin	Kellobin & Kellobin	Santa Fe
A. C. Kennedy	Int.	Albany
Chas. H. H. H.	Nearburg Producing	Dallas
John P. H.	Bo E, Inc.	Carlsbad
Bill Seitzer	Amerind	Midland
E. H. H. H.	Enersource	Hobbs
John P. H.	Enersource	Hobbs
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NAME	REPRESENTING	LOCATION
Robert C. Leibrock	Amerind Oil Co.	Midland, TX
W. Pen Peerson	Montgomery & Andrew	Santa Fe
Chad Dickerson	Dickerson, Fink & Vaden	Artisan
KEN Kirby	CROWN CENTRAL Petro	midland, TX.
DEAN Solberg	Petroleum Exploration Co.	Roswell, NM.
J. J. Burges	TXO	Midland, TX
James Sprinkle	Myself	Denver, CO
Ernest S. S. S.	State Land Officer O&G Div	Santa Fe.
Dean Wood	TXO	Midland
RANDALL CATE	TXO	Midland TX
Sterling J. Talley	Perroc Oil Corp	Midland, TX.
Louis Mazzucco	Northern Producers Co	MIDLAND
Karen Gubney	Kellahan + Kellahan	Santa Fe
Andrew T. O'Hare	TXO	Midland
Dan Miller	Cons. Engr	S.F.
Tracy L. Coe	Byram	SF
W. L. M. S. S.	Byram	SF