

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 14 May 1986

8 EXAMINER HEARING

9 IN THE MATTER OF:

10 Application of Newstar Resources, CASE
11 Inc., for an oil treating plant per- 8887
12 mit, Lea County, New Mexico.

13 BEFORE: David M. Catanach, Examiner
14
15

16 TRANSCRIPT OF HEARING
17
18

19 A P P E A R A N C E S
20

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

25 For Newstar Resources: James G. Bruce
Attorney at Law
HINKLE LAW FIRM
P. O. Box 2068
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I N D E X

CHARLES F. SCHWAB

Direct Examination by Mr. Bruce	3
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E X H I B I T S

Newstar Exhibit One, Diagram	4
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2 MR. CATANACH: Call next Case
3 8887.

4 MR. TAYLOR: Application of
5 Newstar Resources, Inc., for an oil treating plant permit,
6 Lea County, New Mexico.

7 MR. CATANACH: Are there ap-
8 pearances in this case?

9 MR. BRUCE: Mr. Examiner, my
10 name is Jim Bruce, from the Hinkle Law Firm in Santa Fe, and
11 I am representing Newstar Resources, Inc.

12 I have one witness to be sworn.

13 MR. CATANACH: Are there other
14 appearances in this case?

15
16 (Witness sworn.)

17
18 CHARLES F. SCHWAB,
19 being called as a witness and being duly sworn upon his
20 oath, testified as follows, to-wit:

21
22 DIRECT EXAMINATION

23 BY MR. BRUCE:

24 Q Mr. Schwab, will you please state your
25 full name and city of residence?

1 A Charles F. Schwab, San Antonio, Texas.

2 Q And what is your relationship to the ap-
3 plicant?

4 A I am President of Newstar Resources, Inc.

5 Q And briefly, what does Newstar Resources,
6 Inc. seek by its application?

7 A Newstar Resources is applying for an oil
8 treating plant permit for the purpose of treating and re-
9 claiming sediment oil.

10 The plant is to be constructed and oper-
11 ated at the 20-acre site located within the north half of
12 Section 14, Township 20 South, Range 38 East, in Lea County.

13 Q And would you please describe where the
14 plant is located, or is to be located, in relation to the
15 City of Hobbs?

16 A The plant will be located approximately
17 ten miles south of Hobbs in a remote area several miles from
18 the nearest housing.

19 Q Would you please now refer to the Exhibit
20 Number One handed to the examiner, and briefly describe the
21 plant layout and the plant operations?

22 A As you are looking at Exhibit One in
23 front of you, on the righthand side you will see the two 500
24 barrel receiving tanks where the raw material will be re-
25 ceived. You'll see a steam boiler provided and a heat ex-

1 changer provided. Chemicals will be added to the raw mater-
2 ials. It will be heated and be piped to the sediment tanks
3 that are shown in the tank farm for settling, after which
4 the oil will be siphoned from the top, the waste material
5 from the bottom, and disposed of in the normal fashion.

6 Q What will be the initial capacity of the
7 plant?

8 A 600 barrels a day is the initial capa-
9 city.

10 Q And what will be the maximum capacity of
11 the plant and how will this be accomplished?

12 A We anticipate growing to a capacity of
13 3000 barrels a day, which will be accomplished by the addi-
14 tion of tanks in the tank farm.

15 Q And are the boiler and chemical treatment
16 facilities adequate for 3000 barrels per day?

17 A The initial facilities will be adequate
18 for 3000 barrels a day as far as the boiler and chemical
19 treatment portion of the plant is concerned and additional
20 tankage is all that will be required to increase the capa-
21 city.

22 Q And in its permit what capacity does New-
23 star Resources, Inc., request the OCD to approve?

24 A We request that the 3000 barrel a day
25 capacity be approved.

1 Q Where will oil for the plant come from?

2 A From salt water disposal facilities, tank
3 bottoms, and so forth.

4 Q And where do you plan to dispose of the
5 solid wastes and the waste water from the plant?

6 A Solid waste disposal will be at Parabo;
7 water will be disposed of at Rice Engineering or some other
8 licensed facility.

9 Q And before Newstar Resources begins oper-
10 ation of the plant, will it obtain and file with the OCD a
11 \$10,000 performance bond?

12 A Yes, it will.

13 Q And will Newstar Resources timely file
14 all required OCD reports?

15 A Yes, sir.

16 Q Has Newstar Resources discussed the
17 plant's location and operation with the OCD office in
18 Hobbs?

19 A Yes, with Jerry Sexton of the Hobbs OCD
20 office, who's aware of our proposed operation.

21 Q In your opinion is the granting of the
22 permit to Newstar Resources in the interest of conservation
23 and the prevention of waste?

24 A Yes, because otherwise wasted oil will be
25 recovered and made usable.

1 Q Was Exhibit Number One prepared for New-
2 star Resources, Inc.?

3 A Yes, it was prepared for Newstar Resour-
4 ces, Inc. in preparation for constructing the plant.

5 MR. BRUCE: Mr. Examiner, at
6 this time I move the admission of Exhibit Number One.

7 MR. CATANACH: Exhibit Number
8 One will be admitted into evidence.

9 MR. BRUCE: I have no further
10 questions of Mr. Schwab at this time.

11

12 CROSS EXAMINATION

13 BY MR. CATANACH:

14 Q Mr. Schwab, the recovered oil, that's
15 going to be stored in the three tanks on the far left
16 column?

17 A Yes, sir, those are marked sales tanks.

18 Q What is the capacity of those tanks?

19 A Those will be 1000 barrel tanks.

20 Q Where the additional tanks be located
21 when you've increased the (not clearly understood) capacity?

22 A They will be located, as you are facing
23 the plan, toward me and toward this wall. That's where the
24 additional acreage will be.

25 The plant is presently contemplated being

1 placed in the northeast corner of the 20-acre site and ex-
2 pansion -- or excuse me, the northwest corner of the 20-acre
3 site and expansion will be to the east and to the south of
4 where you see these facilities located.

5 Q Mr. Schwab, the process is going to be a
6 heat process and chemical process?

7 A Yes, sir.

8 Q We like -- the Division likes to see a
9 dike built around the -- a plant such as this. Would you --
10 is there one in existence or would you be willing to put one
11 in?

12 A We are aware of the requirements for a
13 dike. It is not shown on the plan that you have in front of
14 you but it will be built in accordance with the requirements
15 of the Division.

16 Q Mr. Schwab, did Jerry Sexton actually go
17 out and see, inspect your plant, or did anyone from the Di-
18 vision?

19 A Mr. Sexton has been given a copy of this
20 plan that you have. He is familiar with the site; to my
21 knowledge has not made a specific trip to this site for this
22 purpose.

23 Q Are you aware of any opposition or prob-
24 lems that he might have with this -- this plant?

25 A No, sir. As a matter of fact he indi

1 cated that the site was acceptable and the process that was
2 contemplated by the drawing in front of you was also accep-
3 table.

4 MR. CATANACH: I have no fur-
5 ther questions of the witness at this time.

6 MR. BRUCE: I have one ques-
7 tion, Mr. Examiner.

8

9

REDIRECT EXAMINATION

10 BY MR. BRUCE:

11 Q Mr. Schwab, are there any other similar
12 facilities in the area of your proposed plant?

13 A Yes, there are.

14 Q Which one is that?

15 A PPI is in very nearly the same location.

16 Q Thank you.

17 MR. CATANACH: I have no fur-
18 ther questions.

19 Are there any other questions
20 of the witness?

21 If not, he may be excused.

22 Is there anything further in
23 Case 8887?

24 If not, it will be taken under
25 advisement.

(Hearing concluded.)

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. 8887,
heard by me on May 11, 1986.

David M. Catant, Examiner
Oil Conservation Division