Case No.

18

Application, Transcript,
Small Exhibits, Etc.

I. RE: SUSPENSION OF PRODUCTION OF CRUDE OIL IN NEW MEXICO.

The New Mexico Oil Conservation Commission promulgated Order No. 196, suspending production of crude oil in New Mexico for a fifteen-day period to prevent physical waste, a copy of which order and the pertinent portions of the Commission's proceedings in adopting such order are hereto attached and marked Exhibit "A", pursuant to the provisions of Section 1 and Section 2, Chapter 72, Laws of New Mexico 1935. The pertinent portions of said sections read:

> "Section 1. The production or handling of crude petroleum oil or natural gas, or the handling of products thereof, in such manner or under such conditions or in such amounts as to constitute or result in waste is each hereby prohibited.
>
> "Section 2. As used in this act, the term 'waste,' in addition to its ordinary meaning, shall include:
>
> "(a) 'Underground waste'"* * *
>
> "(b) 'Surface waste'"* * *
>
> "(c) The production of crude petroleum oil in this state in excess of the reasonable market demand for such crude petroleum oil. Such excess production causes or results in waste which is prohibited by this Act. The words 'reasonable market demand,' as used herein, shall be construed to mean the demand for such crude petroleum oil for reasonable current requirements for current consumption and use within or outside the state, together with the demand for such amounts as are reasonably necessary for building up or maintaining reasonable storage reserves of crude petroleum oil or the products thereof, or both such crude petroleum oil and products."

The Commission issued the foregoing order as an emergency order, without formal notice of hearing, pursuant to the provisions of Section 15 of same said Chapter, which section reads:

> "Section 15. Except as provided for herein, before any rule, regulation or order, including revocation, change, renewal or extension thereof, shall be made under the provisions of this act, a public hearing shall be held at such time, place and manner as may be prescribed by the Commission. The Commission shall first give reasonable notice of such hearing (in no case less than ten days, except in an emergency) and at any such hearing any person

having an interest in the subject matter of the hearing shall be entitled to be heard. In case an emergency is found to exist by the Commission which in its judgment requires the making of a rule, regulation or order without first having a hearing, such emergency rule, regulation or order shall have the same validity as if a hearing with respect to the same had been held after due notice. The emergency rule, regulation or order permitted by this section shall remain in force no longer than fifteen days from its effective date, and, in any event, it shall expire when the rule, regulation or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation or order becomes effective." (The marked portions are mine).

However, almost immediately after the promulgation of said emergency order, the Commission, on August 19, 1939, in Case No. 18, called for a hearing on August 31, 1939, with notice as prescribed by said Section 15, to consider the following:

"The suspension of production of crude petroleum in New Mexico for such further period as may be necessary (upon the expiration of Emergency Order No. 196 of the New Mexico Oil Conservation Commission or any modification thereof) in order to prevent waste.

"Any person having any interest in the subject of the said hearing shall be entitled to be heard."

The hearing as prescribed in said notice was duly held on August 31. Evidence was adduced at said hearing as to the necessity of any further suspension of production of crude oil in New Mexico. As a result thereof, the Commission promulgated Order No. 197, a copy of which order is attached hereto and marked Exhibit "B".

II. RE: REGULATIONS GOVERNING CERTIFICATES EVIDENCING LEGALITY OF OIL PRODUCED AND THE MAKING UP OF SHORTAGES.

On June 22, 1939, in Case No. 15, the Commission ordered published as prescribed by law a notice of a hearing to be held July 21, 1939, for the purpose of considering the following:

"(a) The adoption of rules, regulations and orders as may be necessary to make effective the prohibitions contained in Section 13, Chapter 72, Laws of New Mexico 1935, and for the issuance of certificates of clearance or tenders, or some other method, so that any person may have an opportunity to determine whether any contemplated transaction of sale or purchase or acquisition, or of transpor-

tation, refining, processing, or handling in any other way, involves illegal oil or illegal oil product.

"(b) The adoption of rules, regulations and orders relating to the making up of shortage or back allowable.

"Any person having any interest in the subject of the said hearing shall be entitled to be heard."

As prescribed by said published notice, a public hearing was held by the Commission, evidence was adduced, a committee was appointed by the Commission as advisory to the Commission to study and recommend rules governing certificates evidencing the legal status of oil produced and the making up of shortages.

On December 6, the Commission received the Committee's report on proposed rules upon the matters for which the hearing was called. The Commission took the evidence adduced at the hearing and the committee's recommendation under advisement, and on January 13, 1940, the Commission issued Order No. 235 promulgating rules and regulations governing the issuance of the monthly proration schedule and supplement thereto, the certificate of the Commission authorizing the production, purchase and transportation of oil produced under such schedules and the making up of certain shortages, a copy of which order is attached hereto and marked Exhibit "C".

III. RE: MAXIMUM GAS-OIL RATIOS FOR THE VARIOUS FIELDS IN THE STATE OF NEW MEXICO.

On November 16, 1939, in Case No. 19, the Commission ordered published, as prescribed by law, a notice for a public hearing to be held on December 9, 1939, for the purpose of considering the following:

"The adoption of regulations governing oil-gas ratios in the various producing fields in New Mexico.

"Any person having any interest in the subject of the said hearing shall be entitled to be heard."

Pursuant to said notice, a public hearing was held and evidence adduced. The Commission took the matters for which the

hearing was called under advisement, and on January 13, 1940, issued Order No. 238 regulating and prescribing maximum gas-oil ratios for the various fields of the State of New Mexico, a copy of which order is hereto attached and marked Exhibit "D".

Simultaneously with the issuance of said Order No. 238 and as a companion order, the Commission issued Order No. 237 prescribing rules and regulations for gas-oil ratio surveys in New Mexico, a copy of which order is attached hereto and marked Exhibit "E".

(COPY)

EXHIBIT "A"

MINUTES OF THE MEETING OF THE
OIL CONSERVATION COMMISSION
HELD IN THE OFFICE OF THE OIL
CONSERVATION WEDNESDAY, AUGUST
16, 1939

The Commission met in the office of the Oil Conservation Commission at 10:52 P. M., Wednesday, August 16, 1939.

Present:

Frank Worden, Commissioner of Public Lands,
Secretary
A. Andreas, State Geologist

The Minutes of the meeting of August 14, 1939, as recorded in the Minutes Book of the Commission, were approved.

It appearing that the immediate production of crude petroleum in New Mexico in excess of the reasonable market demand for such crude petroleum would tend to create physical waste, the Commission considered the suspension of the production of an emergency, and therefore declared an emergency and adopted Emergency Order No. 196, which reads in full, to-wit: The Governor signed said order earlier in the day.

BEFORE THE OIL CONSERVATION
COMMISSION OF THE STATE OF
NEW MEXICO

IN THE MATTER OF SUSPENDING PRODUCTION OF CRUDE OIL IN NEW MEXICO FOR A FIFTEEN-DAY PERIOD. EMERGENCY ORDER NO. 196

ORDER OF THE COMMISSION

BY THE COMMISSION:

WHEREAS, it appears that the immediate production of crude oil tends to create waste because of the unstable condition of the petroleum industry, an emergency is hereby declared.

IT IS THEREFORE ORDERED that all production of crude oil in New Mexico be suspended for a fifteen-day period beginning with seven o'clock A.M., August 17, 1939, and ending at seven o'clock A. M., September 1, 1939.

OIL CONSERVATION COMMISSION

By (Sgd) JOHN E. MILES
Governor

By (Sgd) A. ANDREAS
State Geologist

(SEAL)

By (Sgd) FRANK WORDEN
Commissioner of Public Lands

There being no further business the meeting adjourned.

OIL CONSERVATION COMMISSION
FRANK WORDEN, Commissioner of
Public Lands
A. ANDREAS, State Geologist

EXHIBIT "A"

EXHIBIT "B".

(COPY)

BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO FOR THE PURPOSE OF CONSIDERING:

THE SUSPENSION OF PRODUCTION OF CRUDE PETROLEUM IN NEW MEXICO FOR SUCH FURTHER PERIOD AS MAY BE NECESSARY (UPON THE EXPIRATION OF EMERGENCY ORDER NO. 196 OF THE NEW MEXICO OIL CONSERVATION COMMISSION OR ANY MODIFICATION THEREOF) IN ORDER TO PREVENT WASTE.

CASE NO. 18.

ORDER NO. 197.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing August 31, 1939, at Santa Fe, New Mexico, with reference to the above designated matter.

The Commission considered the testimony adduced and the oral motion before the Commission for the dismissal of the proceedings herein and the restoration of production to normal allowable, there being no objection raised before the Commission by those appearing at the hearing herein, and it appearing to the Commission that stocks of crude petroleum are reduced to the point wherein a normal allowable of crude petroleum would not at this time be in excess of reasonable market demand so as to result in waste,

IT IS THEREFORE ORDERED that the proceedings herein be dismissed without prejudice and that normal production of crude petroleum be allowed by the Commission to begin at seven o'clock A. M., September 1, 1939, the expiration time of Emergency Order No. 196.

OIL CONSERVATION COMMISSION

By (Sgd) JOHN E. MILES
Governor

By (Sgd) FRANK WORDEN
Commissioner of Public Lands

(SEAL)

By (Sgd) A. ANDREAS
State Geologist

EXHIBIT "B"

EXHIBIT "C".

(COPY)

BEFORE THE OIL CONSERVATION
COMMISSION OF THE STATE
OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO FOR THE PURPOSE OF CONSIDERING:

CASE NO. 15.

ORDER NO. 235.

(a) THE ADOPTION OF RULES, REGULATIONS AND ORDERS AS MAY BE NECESSARY TO MAKE EFFECTIVE THE PROHIBITIONS CONTAINED IN SECTION 13, CHAPTER 72, LAWS OF NEW MEXICO 1935, AND FOR THE ISSUANCE OF CERTIFICATES OF CLEARANCE OR TENDERS, OR SOME OTHER METHOD, SO THAT ANY PERSON MAY HAVE AN OPPORTUNITY TO DETERMINE WHETHER ANY CONTEMPLATED TRANSACTION OF SALE OR PURCHASE OR ACQUISITION, OR OF TRANSPORTATION, REFINING, PROCESSING, OR HANDLING IN ANY OTHER WAY, INVOLVES ILLEGAL OIL OR ILLEGAL OIL PRODUCT.
(b) THE ADOPTION OF RULES, REGULATIONS AND ORDERS RELATING TO THE MAKING UP OF SHORTAGE OR BACK ALLOWABLE.

ORDER OF THE COMMISSION PROMULGATING RULES AND REGULATIONS GOVERNING THE ISSUANCE OF THE MONTHLY PRORATION SCHEDULE AND SUPPLEMENT THERETO, THE CERTIFICATE OF THE COMMISSION AUTHORIZING THE PRODUCTION, PURCHASE AND TRANSPORTATION OF OIL PRODUCED UNDER SUCH SCHEDULES AND THE MAKING UP OF CERTAIN SHORTAGES.

BY THE COMMISSION:

This cause came on for hearing at nine o'clock A. M. on the 21st day of July, 1939, at Santa Fe, New Mexico.

NOW, on this 13th day of January, 1940, the Commission having before it for consideration the evidence adduced at the hearing in said case and being fully advised in the premises, the Commission adopted the order promulgating rules and regulations governing the issuance of the monthly proration schedule and supplement thereto, the certificate of the Commission authorizing the production, purchase and transportation of oil produced under such schedules and the making up of certain shortages, as follows:

1. The New Mexico Oil Conservation Commission will meet monthly, as soon as practicable after the announcement of the

Bureau of Mines of the market demand for New Mexico, and at such meeting will consider the announcement of the Bureau of Mines and other evidence of market demand, and will determine the amount of oil to be produced from all pools in the State of New Mexico during the following calendar month. The amount so determined will be allocated among the various pools in the State in accordance with existing regulations and among the various units in each pool, in accordance with the regulations governing each pool. The Commission will thereupon issue a proration schedule which will specify the amount of oil each unit in the State may produce each day during the following calendar month, including shortages which may be made up and lawful overages. Allowables for wells completed between the first and sixteenth of each month shall be included in a supplementary proration schedule to the current monthly proration schedule. This supplement shall be issued on the sixteenth of each month. Such monthly proration schedule and such supplementary proration schedule shall each constitute the certificate of the Commission authorizing thereunder:

(1.) The production of oil from the various units in accordance with such respective schedules;

(2.) The purchase of oil so produced by the purchasing companies; and,

(3.) The transportation of oil so produced by the various pipe line companies.

2. The monthly schedule provided for in paragraph "1" hereinabove shall show accrued shortages for two succeeding months and such shortages shall be made up within the same period of time; or if overage occurs, which is unavoidable and lawful, then such overage should be compensated by reduced allowable within a like period of time. After two succeeding months, shortages shall be

eliminated from the schedule unless the operator furnishes a written statement to show that he could not sell, or the pipe line would not run the allowable, or that remedial work for the purpose of conserving reservoir energy had caused the shortage.

3. Shortage incurred prior to October 1, 1939, due to lack of pipe line connection or the inability to sell the allowable, shall be cumulative and allowed. Such shortages shall be shown in the cumulative column on the proration schedule and the amount of cumulative shortage authorized to be run shall be added to the current allowable and total shown as net allowable.

4. In no event should shortages when authorized, be produced in such manner or in such daily amounts as to constitute waste.

For the purpose of taking under further advisement, the Commission reserves herein for a supplemental order the matters in this case in so far as they relate to the transportation of oil and the products thereof by means other than by pipe line.

DONE at Santa Fe, New Mexico, this 13th day of January, 1940.

NEW MEXICO OIL CONSERVATION COMMISSION

By (Sgd.) FRANK WORDEN
Commissioner of Public Lands

By (Sgd.) A. ANDREAS
State Geologist.

(SEAL)

EXHIBIT "D".

(COPY)

BEFORE THE OIL CONSERVATION
COMMISSION OF THE STATE
OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO FOR THE PURPOSE OF CONSIDERING:

THE ADOPTION OF REGULATIONS GOVERNING GAS-OIL RATIOS IN THE VARIOUS PRODUCING FIELDS IN NEW MEXICO.

CASE NO. 19.

ORDER NO. 238.

ORDER OF THE COMMISSION
REGULATING AND PRESCRIBING MAXIMUM
GAS-OIL RATIOS FOR THE VARIOUS FIELDS
OF THE STATE OF NEW MEXICO

BY THE COMMISSION:

This cause came on for hearing at ten o'clock A. M. on the 9th day of December, 1939, in the chamber of the House of Representatives, in the State Capitol, Santa Fe, New Mexico.

NOW, on this 13th day of January, 1940, the Commission having before it for consideration the evidence adduced at the hearing in said case and being fully advised in the premises, the Commission adopted the following regulations governing gas-oil ratios in the various producing fields in New Mexico, as follows:

The system of gas-oil ratio control in the State of New Mexico shall be known as that of volumetric control, which penalizes the unit of production for exceeding the maximum gas volume established for each field by decreasing its monthly allowable in accordance with the formula as provided hereinafter.

The maximum gas-oil ratio assigned to each field in New Mexico is listed below:

FIELD	RATIOS
Cooper	10,000
Eaves.	4,000
Eunice	7,000
West Eunice.	1,000
Halfway.	1,000
Hardy.	5,000
Hobbs.	3,500
Jal.	10,000
Langlie.	5,000
Lynch.	1,000
Mattix	5,000
Lynn..	3,000
Monument	5,000
N. Lynch	1,000
Penrose.	7,000
Rhodes	1,000
Skaggs	1,000
Skelly	5,000
S. Eunice.	5,000
S. Lovington	1,500
Vacuum	2,000
Artesia.	1,000
Grayburg-Jackson	1,000
High-Lonesome.	1,000
Leonard.	1,000
Loco Hills	1,000
Maljamar	1,000
N. Maljamar.	1,000
Red Lakes.	1,000
Robinson	1,000
Shugart.	1,000
Barber	1,000
Getty.	1,000

1. Any oil producing unit with a net gas-oil ratio in excess of the assigned maximum for the field in which it is situated as listed in the table above shall be allowed to produce daily a total volume of oil which, when multiplied by the gas-oil ratio of the unit will result in a total gas volume that does not exceed the allowance per top allowable unit as fixed in the current monthly proration schedule of the Commission for the field in which the unit is situated times the gas-oil ratio for said field. Provided, that nothing herein contained shall have the effect of

increasing the oil allowable of any unit above that fixed in the current proration schedule.

2. All units to which gas-oil ratio corrections are applied shall be set up in the proration schedule first and the remaining oil equitably reallocated to the other producing units in the state.

3. A marginal well shall be permitted to produce the same total volume of gas which it would be permitted to produce if it were a non-marginal well.

4. In the event that gas-oil ratios are not reported for any unit, then that unit will be omitted from the proration schedule.

5. The gas-oil ratio used in calculating penalties for any producing unit shall be those reported immediately prior to the beginning of the proration period on form C-104A or those measured under the supervision of the Oil Conservation Commission.

DONE at Santa Fe, New Mexico, this 13th day of January, 1940.

NEW MEXICO OIL CONSERVATION COMMISSION

By (Sgd.) FRANK WORDEN
Commissioner of Public Lands

By (Sgd.) A. ANDREAS
State Geologist

(SEAL)

BEFORE THE OIL CONSERVATION
COMMISSION OF THE STATE
OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO FOR THE PURPOSE OF CONSIDERING:

THE ADOPTION OF REGULATIONS GOVERNING GAS-OIL RATIOS IN THE VARIOUS PRODUCING FIELDS IN NEW MEXICO.

CASE NO. 19.

ORDER NO. 237.

ORDER OF THE COMMISSION PRESCRIBING
RULES AND REGULATIONS FOR GAS-OIL
RATIO SURVEYS IN NEW MEXICO

BY THE COMMISSION:

This cause came on for hearing at ten o'clock A. M. on the 9th day of December, 1939, in the chamber of the House of Representatives, in the State Capitol, Santa Fe, New Mexico.

NOW, on this 13th day of January, 1940, the Commission having before it for consideration the evidence adduced at the hearing in said case and being fully advised in the premises, the Commission adopted the order herein simultaneously with the adoption of:

Order No. 236 of the Commission, setting a time for the purpose of presenting objections to the Commission as to Order No. 238 of the Commission (regulating and prescribing maximum gas-oil ratios for the various fields of the State of New Mexico) and as to Order No. 237 of the Commission (prescribing rules and regulations for gas-oil ratio surveys in New Mexico).

Order No. 238 of the Commission, regulating and prescribing maximum oil-gas ratios for the various fields of the State of New Mexico.

The rules and regulations set out hereinbelow shall govern gas-oil ratio surveys in New Mexico:

All operating gas-oil ratio tests shall be taken under the supervision of the Oil Conservation Commission of New Mexico.

 EXHIBIT "E"

DUTIES OF THE OIL CONSERVATION COMMISSION:

(1) Assemble the information supplied by the operators as recommended in Section 3 herein, and arrange test schedule; (2) to assign engineers to supervise tests except that such engineer shall not be in charge of the test on his employers property; (3) to properly instruct all engineers in the proper operation of measuring equipment and procedure in conducting the tests; (4) to calibrate and maintain all metering equipment in first-class condition; (5) to furnish, calculate, record and file all gas measurement charts and records; (6) compute all gas-oil ratios; (7) determine whether the test was properly conducted, and if necessary schedule retests.

DUTIES OF THE ENGINEER IN CHARGE OF TESTS:

The duties of the engineer are restricted to: (1) The supervision of the installation of the gas measuring equipment; (2) the proper operation of the equipment; (3) the proper gauging of the lease tanks to accurately determine the production of oil and water; (4) the proper recording of the pertinent data required; (5) the supervision of the placing of seals or locking devices.

DUTIES OF THE OPERATOR:

The operator shall: (1) in accordance with existing rules and regulations of the Conservation Commission, each well shall be equipped to conveniently make a gas-oil ratio test; (2) furnish the Oil Conservation Commission a complete list of his wells showing the type of metering equipment best adaptable for accurate gas measurement in accordance with rules contained herein; such information shall include the size of vent line, size of orifice flange or connection available, and if possible, the desirable size of orifice in the orifice plate; (3) furnish sufficient

and qualified lease labor to install and manipulate all lease equipment, including the installation and/or changing orifice, raising or lowering vent lines, etc.

MANNER OF TESTING:

1. For the purpose of stabilization, each well shall be produced for a period of 24 hours at a rate as nearly as possible to the normal manner of operation but not less than the daily allowable.

2. Lease tanks shall be gauged by the supervisor at the beginning and end of this stabilization period,

3. No change shall be made which affects the rate of production during the last 18 hours of the stabilization period.

4. The test period shall consist of 24 hours. Oil shall be gauged for the full period and gas shall be measured for a period of at least six hours.

5. In case of a heading or stop-cocked well the gas shall be measured for the full 24 hour period.

6. If for any reason should gas be withdrawn from the casing, this volume of gas shall be added to that produced through tubing in computing the gas-oil ratio and such gas shall be measured for the full 48 hours of stabilization and test periods, and the largest volume whether the first or second 24 hour period, shall be used in computing the gas-oil ratio.

7. For gas-lift or jetted wells the total volume of gas to be used in computing the operating gas-oil ratio is the total output volume minus the total input volume.

LIQUID MEASUREMENTS:

1. All tanks shall be gauged to the nearest 1/8 inch. Care should be exercised to keep the gauge line taut and in case there are ripples or foam on the oil surface the tank should be

allowed to stand until the fluid reaches equilibrium and the foam can be brushed aside.

2. tanks shall be thiefed immediately before and after the test and water percentage determined in accordance with the A.P.I. specifications.

3. The total volume of liquid produced shall be calculated in accordance with the latest pipeline strapping tables of the tanks.

4. The net volume of oil shall be the total volume of fluid less the volume of B.S. and W. as determined by Paragraph 2 above.

5. Fluid level must be maintained relatively constant, such that the oil dump valve is covered at all times by at least 12 inches of liquid.

6. If it is necessary to use a flow tank for the separation of water the water-oil level must be the same at the beginning and end of the test and the water removed from the flow tank must be measured or metered.

7. All liquid measurements shall be in barrels of 42 gallons and shall be carried to the second decimal.

GAS MEASUREMENT:

1. A calibrated pressure gauge shall be installed on each separator and readings taken periodically. In the event the operator chooses to conduct the test at abnormally high pressures, a recording pressure gauge will be installed on the separator and the measured gas-oil ratio may be increased by the measured or estimated volume of gas going to the tanks. Estimated volume shall

be based on the gas-solubility vs. pressure curves for the field or area in which the well is located.

2. For computing the volume of all gas produced the standard of pressure shall be 10 oz. above an atmospheric pressure of 14.4 lbs./sq. in., the standard temperature shall be 60° F. and the standard of specific gravity shall be 0.65 as compared to air. All measurements of gas shall be adjusted by computation to these standards. In case the gas measurement is made at an abnormally high pressure the measurement may be adjusted in accordance to deviation from Boyles Law. Gas volumes will be computed in cubic feet and gas-oil ratios in cubic feet per barrel of oil.

3. Only recording type gas measuring devices may be used.

4. Orifice well testers, orifice meters and side pressure test nipples are approved as measuring devices and the side pressure test snipples are approved only when it is necessary to measure volumes larger than can conveniently be measured by orifice meter.

ANY WELL THAT CANNOT BE TESTED UNDER THE PRECEDING RULES SHALL BE REFERRED TO THE OIL CONSERVATION COMMISSION FOR SPECIAL CONSIDERATION AND RULES.

ALL WELLS MUST BE TESTED.

Done at Santa Fe, New Mexico, this 13th day of January, 1940.

NEW MEXICO OIL CONSERVATION COMMISSION

By (Sgd.) FRANK WORDEN
Commissioner of Public Lands

By (Sgd.) A. ANDREAS
State Geologist

(SEAL)

EXHIBIT "B"

Case No.

18

Application, Transcript,
Small Exhibits, Etc.

1217-A

CLASS OF SERVICE DESIRED

DOMESTIC	CABLE
TELEGRAM	FULL RATE
DAY LETTER	DEFERRED
NIGHT MESSAGE	NIGHT LETTER
NIGHT LETTER	SHIP RADIOGRAM

Patrons should check class of service desired otherwise message will be transmitted as a full-rate communication.

WESTERN UNION

R. B. WHITE, PRESIDENT
NEWCOMB CARLTON, CHAIRMAN OF THE BOARD
J. C. WILLEVER, FIRST VICE-PRESIDENT

CHECK
ACCT'G INFMN.
TIME FILED

Send the following message, subject to the terms on back hereof, which are hereby agreed to

SANTA FE NEW MEXICO
AUGUST 31, 1939

DAY LETTER

MR. GLENN STALEY
PRORATION UMPIRE
HOBBS, NEW MEXICO

COMMISSION ADOPTED ORDER NUMBER ONE HUNDRED NINETYEIGHT ALLOCATING NINETY SEVEN THOUSAND BARRELS OF OIL PER DAY FOR DOMESTIC MARKETS FOR PERIOD OF SEPTEMBER FIRST TO FIFTEENTH AND ORDER NUMBER ONE HUNDRED NINETY NINE ALLOCATING NINETY SEVEN THOUSAND BARRELS OF OIL PER DAY FOR DOMESTIC MARKETS FOR PERIOD OF SEPTEMBER SIXTEENTH TO THIRTIETH. COMMISSION ALSO ADOPTED ORDER NUMBER TWO HUNDRED ALLOCATING THREE THOUSAND BARRELS DAILY FOR EXPORT PURPOSES ONLY FROM THE ARTESIA GRAYBURG JACKSON MALJAMAR AREA FOR PERIOD OF SEPTEMBER FIRST TO THIRTIETH. COMMISSION ALSO ADOPTED EMERGENCY ORDER NUMBER TWO HUNDRED ONE WHICH IS FOR A CONTINUANCE OF EMERGENCY ORDER NUMBER ONE HUNDRED EIGHTY TWO BEING AUTHORITY FROM THE OIL CONSERVATION COMMISSION AUTHORIZING THE RUNNING OF ACCUMULATED SHORTAGES

FRANK NORDEN
SECRETARY

Charge to
Oil Conservation Commission

THE QUICKEST, SUREST AND SAFEST WAY TO SEND MONEY IS BY TELEGRAPH OR CABLE

SKELLY OIL COMPANY

TULSA, OKLAHOMA

LAND AND LEASE DEPARTMENT
JAMES FITZGERALD, JR., MANAGER
WEST TEXAS-NEW MEXICO DIVISION
MIDLAND, TEXAS

September 11, 1939

Mr. Carl B. Livingston, Attorney
New Mexico Oil Conservation Commission
Santa Fe, New Mexico.

Dear Carl:

This will acknowledge your letter of September 8th attached to Order No. 197 of the Oil Conservation Commission.

My compliments to the Governor and members of the Commission upon issuance of Order No. 196. There is no question in my mind and the oil men in this area that the afore mentioned order was a splendid thing for the industry. I am certain the State has protected the peoples royalty interest and have avoided the loss of natural resources at unfair prices.

Best personal regards,

Yours very truly,

James FitzGerald, Jr.

JFG:RH

CITIES SERVICE OIL COMPANY

PRODUCERS-REFINERS-MARKETERS OF PETROLEUM PRODUCTS

BARTLESVILLE
OKLAHOMA

Legal Division
September 11, 1939

Mr.Carl B. Livingston, Attorney
Oil Conservation Commission
State Capitol
Santa Fe, New Mexico

In re: Oil Conservation
New Mexico

My dear Mr. Livingston:

I acknowledge receipt of your letter of September 8 and a copy of Order No. 197 of the Commission terminating the suspension of production of petroleum in New Mexico, and thank you therefor.

The suspension of production appears not to have seriously injured the lessees, the purchasers or the users of petroleum products. I am afraid it furnished momemtum to federal regulation of the oil business as will enable the sponsors of acts pending in the congress to procure the passage thereof. If it has, I suspect such regulation will never be released by the federal government. The courts in recent years have gone far in sustaining federal regulation of businesses formerly considered local and the power of regulation to be vested in the states.

It appears to me that if the courts are consistent they will hold substantially all business of every kind to be subject to regulation by the congress. For the most part, all of the wheat, corn, coal, cattle, hogs, sheep, lumber, coal, oil, and manufactured products move in interstate commerce. If our constitution gives the congress such jurisdiction and authority and such was intended by

PRICES SUBJECT TO CHANGE WITHOUT NOTICE. ORDERS ACCEPTED CONTINGENT UPON STRIKES, ACCIDENTS, DELAYS BY CARRIERS, OR OTHER CAUSES BEYOND OUR CONTROL
ALL COMMUNICATIONS SHOULD BE ADDRESSED TO THE COMPANY

by the framers of the constitution, one wonders why the states were permitted to exist and adopt constitutions.

With best wishes, I am

Sincerely yours,

Hayes McCoy

Hayes McCoy
Assistant Chief Counsel

HMcC sm

September 8, 1939

Mr. G. H. Card
Stanolind Oil & Gas Company
Fort Worth, Texas

My dear George:

Enclosed please find copy of Order No. 197 of the Commission, which is being sent you for your files, terminating the suspension of production of petroleum in New Mexico.

Very truly yours,

Carl B. Livingston
Attorney

CBL:ik
Enc.

September 8, 1939

Mr. J. P. Shannon
Snowden-McSweeney Company
Fort Worth, Texas

My dear Mr. Shannon:

Enclosed please find copy of Order No. 197 of the Commission, which is being sent you for your files, terminating the suspension of production of petroleum in New Mexico.

Very truly yours,

Carl B. Livingston
Attorney

CBL:ik
Enc.

September 8, 1939

Honorable Hayes McCoy
Cities Service Oil Company
Bartlesville, Oklahoma

My dear Mr. McCoy:

Enclosed please find copy of Order No. 197 of the Commission, which is being sent you for your files, terminating the suspension of production of petroleum in New Mexico.

Very truly yours,

Carl B. Livingston
Attorney

CBL:ik
Enc.

September 8, 1939

Colonel James Fitzgerald, Jr.
Skelly Oil Company
Midland, Texas

My dear Colonel Jim:

Enclosed please find copy of Order No. 197 of the Commission, which is being sent you for your files, terminating the suspension of production of petroleum in New Mexico.

Very truly yours,

Carl B. Livingston
Attorney

CBL:ik
Enc.

September 8, 1939

Mr. Edgar Kraus
Atlantic Refining Company
Carlsbad, New Mexico

My dear Edgar:

Enclosed please find copy of Order No. 197 of the Commission, which is being sent you for your files, terminating the suspension of production of petroleum in New Mexico.

Very truly yours,

Carl B. Livingston
Attorney

CBL:ik
Enc.

September 8, 1939

Mr. D. D. Bodie
Cities Service Oil Company
Hobbs, New Mexico

My dear Dan:

Enclosed please find copy of Order No. 197 of the Commission, which is being sent you for your files, terminating the suspension of production of petroleum in New Mexico.

Very truly yours,

Carl B. Livingston
Attorney

CBL:ik
Enc.

September 8, 1939

Mr. A. M. McCorkle
Stanolind Oil Company
Fort Worth, Texas

My dear Mr. McCorkle:

Enclosed please find copy of Order No. 197 of the Commission, which is being sent you for your files, terminating the suspension of production of petroleum in New Mexico.

Very truly yours,

Carl B. Livingston
Attorney

CBL:ik
Enc.

September 8, 1939

Colonel J. D. Atwood
Roswell, New Mexico

My dear Colonel Atwood?

Enclosed please find copy of Order No. 197 of the Commission, which is being sent you for your files, terminating the suspension of production of petroleum in New Mexico.

Very truly yours,

Carl B. Livingston
Attorney

CBL:ik
Enc.

September 8, 1939

Honorable James M. Murray
Lieutenant Governor of New Mexico
Hobbs, New Mexico

My dear Jim:

Enclosed please find copy of Order No. 197 of the Commission, which is being sent you for your files, terminating the suspension of production of petroleum in New Mexico.

Very truly yours,

Carl B. Livingston
Attorney

CBLikk
Enc.

NEW MEXICO OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

September 5, 1939

C

O

P

Y

Honorable Ernest O. Thompson
Railroad Commission of Texas
Austin, Texas

My dear Colonel Thompson:

I am profoundly grateful to you for your letter of August 29, enclosing a copy of the text of your radio address. I was fortunate in being able to hear portions of your address over the radio.

Enclosed please find a copy of the Commission's order on Case No. 18, lifting the shutdown in New Mexico, which I have termed all the way through the proceedings a suspension of production of petroleum.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik
Enc.

RAILROAD COMMISSION OF TEXAS
AUSTIN

ERNEST O. THOMPSON
COMMISSIONER

August 29, 1939

Mr. Carl B. Livingston, Attorney
Oil Conservation Commission
State of New Mexico
Santa Fe, New Mexico

Dear Friend Livingston:

I appreciate very much your sending me the notice for publication covering your hearing for August 31, 1939, for the purpose of considering an extension of the shutdown.

I want you to know that I appreciate this courtesy.

With kindest personal regards, I am

Sincerely yours,

Ernest O. Thompson

Ernest O. Thompson

RADIO ADDRESS

By

ERNEST O. THOMPSON, CHAIRMAN INTERSTATE OIL COMPACT COMMISSION AND MEMBER RAILROAD COMMISSION OF TEXAS

OVER TEXAS NETWORK --FROM STATION K.F.A.G., FORT WORTH, TEXAS -
8:00 to 8:30 P. M., Monday
August 14, 1939.

I have just returned from Camp Hulen of the National Guard Encampment, now in progress at Palacios, Texas. We have got eight thousand fine Texas boys down there from every section of the State of Texas and they are a manly group of fine physical specimens of Texas manhood. That shows that they have come from homes where they were trained to love their State and serve their country.

The National Guard has through the history of the State, always been ready to serve our State and country in all emergencies.

The 36th and the 90th Divisions, both grand divisions made up of fine Texas troops, made inviable records in France under fire under the World War.

I am particularly happy that it has been my pleasure through many years to be associated with the Guard and the National Army. I love to keep up these associations through the training with my regiment and I am proud that so many Texas fathers and mothers have allowed their sons to join my Regiment for training. For example, I have one company in my Regiment composed of thirty-three men, thirty of whom are University students. I only mention this to tell the fathers and mothers of Texas who have boys in the National Guard, now in training at Camp Hulen, that the boys are in fine health, learning how to defend their country and are in training for good citizenship.

I enjoy these two weeks training period each year. You have to go whether you want to or not. But with me, it is a pleasure because I enjoy the work and I enjoy the opportunity to study the boys under my command. It does not mean that they are cut off from the outside world because they are in camp. There is a telephone in every Regiment headquarters and you can get anyone in camp as quickly as anywhere. The men in camp are constantly in touch with outside affairs. They are not at a loss at what is going on. The newspapers are delivered to camp every day and nearly every tent has a radio. The National Guard is keenly alive and kept informed.

If there should be an emergency, you can depend on it that the 36th Division, with its fine officers and splendid men, will be leaned upon for strong support by the regular Army and will make a good account of itself just as it did in the last War.

I am proud that I belong to the National Guard and I am proud of the record that my Regiment holds in the performance of duty in the World War.

I come to you tonight with the emotions of a man who needs the help of all the people in a fight which, I hope to demonstrate, is a fight for the rights of the people and for the well-being of all Texas.

In the past three days, history has been made in Texas. It could be likened to a gigantic game in which stake is $100,000,000 or more. You, the people of Texas, are the rightful owners of this $100,000,000. If it is lost it will be lost forever. We are fighting to keep it for you.

Your railroad commission has begun a campaign which we believe involves the very basis of Texas prosperity, the preservation of her oil and gas resources. We need your help. We need the support of every citizen, from the humblest up to the governor. We are asking for that support tonight.

To give you a clearer understanding of the issues involved, let me sketch briefly for you what has happened. The facts already have been widely printed in Texas newspapers.

Last week, one of the major oil purchasers announced a reduction in crude oil prices. This announcement was followed on Friday of last week by Humble Oil and Refining Company, in the most drastic price cut of recent history. The price of oil was reduced as much as 32 cents per barrel in some areas; for East Texas crude oil, the price was cut to 20 cents a barrel.

And there was no compensating cut in the price of gasoline.

Do you realize what a price cut means? I believe I can show you. Texas produces nearly 450,000,000 barrels of oil per year. Its value is well over 500,000,000 dollars -- a half a billion dollars annually. A half a billion dollars annually to go to the butcher, the baker and the candlestick maker, through all the channels of trade and commerce.

If you reduce that income by 20 per cent, which is approximately the amount proposed in this price cut, you take $100,000,000 a year out

of the pockets of the butchers, the bakers, the grocers, the supply men, and all the rest of the people who make up Texas.

What I'm trying to tell you is that it doesn't matter whether you own an interest in an oil well. Perhaps you had never picked a stalk of cotton yet you know that the collapse in the price of cotton affected your personal fortunes. If you reduce the gross income of Texas by 100,000,000 dollars a year, you are reducing the income of every citizen of Texas.

And that's what I want to halt. That's what I'm asking your help in doing.

Now what are the reasons for a price cut?

In our experience in the oil industry there have been but two reasons. One of them is overproduction. That's when there is more oil being produced than the nation is currently consuming.

But that can't be the reason now. All the economists agree that there is not too much oil above ground. They all agree that the consumption of gasoline was 6 per cent higher last year than the year before, and 4 per cent higher this year than last year. That is a gain for 1938 of well over 10 per cent when contrasted with 1937.

The other reason is this: Major oil companies, who actually control the price, because they are the largest purchasers, want to fill up their empty storage with cheap oil. They want to get it for just as little as they can.

If they can fill their millions of barrels of empty storage with cheap oil, they can manufacture gasoline more cheaply. No reduction in the retail price of gasoline is made and it boils down to this: The $100,000,000 a year which they propose to take out of the pockets of Texans will go to increase the profits of these big corporations every one of which headquarter in the East, largely in New York.

If we sit supinely by and stand for this $100,000,000 steal, it will go into Wall Street pockets. That's as brutal and frank as I know how to put it.

And what are you going to do about it?

I thought about all of these things last Saturday as I drove from Camp Hulen to Austin. I was worrying over the fact that it is too bad that big oil companies can make such huge profits out of Texas oil

while our State is so hard up it can't pay the old age pensions. I do the best I can just as all of you do. I know the problems of the poor. And en route to my office in the capitol two ways to meet this problem came to mind.

In Columbus, I stopped and telephoned my office. I dictated a letter to Governor W. Lee O'Daniel and instructed my secretary to deliver it to his office immediately. The Governor's office is just next door to mine. And at the same time to give it to newspaper correspondents to that the people of Texas could know, because I believe in letting the people know what I'm doing at all times in their behalf.

This letter speaks for itself. Let me read it to you:

"Camp Hulen
Palacios, Texas

August 12, 1939.

Governor W. Lee O'Daniel
Governor of Texas
Austin, TEXAS

Dear Governor:

I urge you to promptly call a special session of the Legislature for the purpose of providing funds to pay the pensions to the aged, care for the blind, the penniless children, and the State's portion of the Teachers" Retirement Fund.

This can easily be provided for by a tax on oil.

The big oil companies have cut the price of crude oil twenty cents per barrel. This cut in price is wholly unwarranted because the stocks of all oil above ground is at a record low for twelve years past and the demand for gasoline is at a record high.

This means a loss of One Hundred Million Dollars a year to Texas. This extra One Hundred Million Dollars will go into the cash drawers of the oil companies back East unless you act promptly to keep it in Texas. It is far better to care for the aged than to enrich Eastern millionaires on our Texas oil

Your duty is clear. The opportunity is here.

I am advocating to my Colleagues on the Railroad Commission that we shut down all Texas oil fields for thirty days.

A five cent per barrel additional tax on oil will provide sufficient revenue for all social security requirements which the people have voted.

The balance should go into a permanent fund to be invested against the day when our Texas oil will be depleted. This fund could not be spent. The earnings of that fund would supply the revenue lost from oil depletion. We know our oil will play out. We should have something to take its place when the oil is gone. This permanent fund will do that job.

The oil companies want to saddle a sales tax on our people. You can save the day by keeping this One Hundred Million Dollars per year in Texas and make a sales tax forever unnecessary in our State.

If you do not do this we will lose this One Hundred Million Dollars a year forever.

The oil companies raise the price of gasoline and then cut the price of crude.

Let's free Texas from this situation. The opportunity has been offered us by the unprecedented greed of these crude oil price cutters.

Respectfully yours,

ERNEST O. THOMPSON, Member
Railroad Commission of Texas"

When I reached Austin, numerous people had telephoned me from all over Texas. They followed up their telephone calls with telegrams. I talked to governors of other oil producing states which are as vitally concerned as Texas. They all agreed that action should be taken quickly. Consequently, at noon last Saturday, I called an emergency meeting of the Interstate Oil Compact Sommission. We will meet in Oklahoma City tomorrow afternoon in Governor Phillips' office. Governor Ratner of Kansas, in his telephone conservation with me, suggested that we meet in Oklahoma City since that was a central meeting place for all the oil States.

Meanwhile Commissioner Jerry Sadler, who was as anxious as myself to halt this catastrophe, met me in Austin. Late Saturday afternoon we drove to Houston where Commission Chairman Lon A. Smith had gone on a business trip. Monday the three of us met in emergency session and ordered the closing in of all Texas oil fields for a period of 15 days, beginning at 7:00 A. M., tomorrow morning, to give us time to pry into the basic reasons for this collapse of oil prices. We want to see if there is not actually a shortage of oil.

We will work this oil production problem out all right. That's a detail of hard work.

But what I was writing to the Governor about was that we should sieze upon this grand opportunity to pay the pensions out of oil before they get it all away from Texas. They brought it on themselves.

These big oil companies have asked for a cut of 20 cents. I'm asking that we cut the old folks in for a nickel. That's not unfair - 20 cents to Standard Oil - a nickel for the needy. We cannot afford to fail our own citizens.

To go back a little in my story, let me here explain that my office is next door to that of our governor. I confidently expected

that he would call me into his office to discuss what I had proposed. I was in my office from 11 o'clock until 5 o'clock when Mr. Sadler and I left for Houston. The only word I had received from his office during that time was by way of newspaper men who told me he had refused to comment. It was not until I reached Houston that I learned he had written me a letter refusing to call a special session of the legislature.

It is not my purpose tonight to criticize our governor. I sympathize deeply with him in his problems. But I do want the people of Texas to understand my motives. When your house is on fire you do not consider that you once had a quarrel with the fire chief. I made my suggestion for a five cent tax on oil in the best of faith and with sincere intentions. I made the suggestion hundreds of times that we should pay the pensions from natural resources. I made it from every stump when I spoke last summer in my race for Governor. I pointed out repeatedly that Louisiana has an eleven cent a barrel oil tax and that this eleven cent tax had not driven the business away from Louisiana.

The reason I wrote him was because he alone can call a special session of the legislature. He alone can limit that legislature's deliberations to the single subject of increasing oil taxes to pay the pensions. He alone can ask the legislature to help us keep at least a part of this $100,000,000 in Texas. He can put this money in the Treasury of Texas and pay the pensions to the old folks.

He can see that it is used for the blind.

He can use this oil tax money to see that proper hospitals are built to take the insane out of jails. Jails are not the place for the sick unfortunate insane.

He can get some of this oil money that would otherwise go to New York to meet the State's part of the Teachers Retirement Fund.

What's the use letting all this oil money get out of Texas when it can be used to care for our Social Security and welfare program here in Texas? I think more of our own needy people than I do of anybodys rich oil company back in New York or anywhere else.

We've been letting this great wealth slip away from our people. Let's stop it.

I thought when I dictated that letter, and I think tonight, that here was the opportunity of the age. I believe the people of Texas are thoroughly aroused against this deliberate attempt to break

every independent oil operator in Texas and a lot of banks and businesses besides. I believe they would back up their elected representatives to the man in the Legislature to make certain that if Texas is to be plundered by the moneyed interests of the East, a part of their enormous profits shall be turned to the benefit of our unfortunates - our old people, our needy blind and children, our retired teachers. Our State Institutions could all be furnished with their needed funds from this oil tax. Our State Colleges badly need help.

That the governor disagrees with me on the method of financing social security does not make him right nor me wrong. I, personally, have always been fundamentally opposed to taxing poverty to relieve need. I, personally, always have believed, and have so stated in all my speeches, that a sales tax is a tax on poverty. During the 167 days that the Legislature was in session this year, I made no suggestion; you, the people of Texas, had elected another whose duty it was to recommend to the legislature. That he recommended a sales tax is an issue between you and him. My opinion, one way or the other was immaterial. But being a democrat and a citizen of the United States, I glory in the right accorded every free-born citizen of this nation to speak his mind. When the very fundamentals of our prosperity are challenged by predatory and selfish corporations, I hope I shall never fail to rise up and protest with all the vigor at my command. I am a citizen of Texas; I am old-fashioned enough to believe that Texas is the best state of the best nation of the world; and when my state or my nation is threatened I shall do whatever is within my power to avert that threat without regard for the possibility that I may thereby tread upon the toes of those who sit in the seats of the mighty, either in business or in politics. I think every citizen should speak up and say his mind. Shall we let this oil money get away or shall we tax it a nickel a barrel to pay the pensions. That beats the sales tax.

Let me say had the governor seen eye-to-eye with me, credit for financing our desperate social security needs would have gone entirely to him. Certainly, in all candor, had it been personal credit that I sought, I would have been sorely disappointed. In football parlance, the blocking halfback gets no credit for touchdowns. I merely offered the governor a chance to take the ball and run with it. After all, we're playing on the same team, and we've got the same goal.

He is the captain. I'm just trying to help like I promised I would when he beat me. Surely any citizen can help get this job done.

I believe that issues must go deeper than personalities. If this were not true, Texas and the American form of government could not have survived.

Issues must go deeper than personalities; and the issue which faces the people of Texas is three-fold: First, accepting the challenge of eastern corporations which propose to establish a monopoly over the oil business in Texas for their own personal gain; second, to meet the promises to which we, the people of Texas, have been giving nothing but lip-service for these many years, the promise of adequate aid for those unfortunates who are properly the charges of the state; and finally, to divert a part of this wealth into the treasury of our state, as a permanent trust fund against the day when our Soil shall have been drained of its wealth, when eastern capital will be no longer interested in exploiting the underground resources which were a heritage to the people from the men who founded Texas.

Just as the founders of Texas set aside every other section of public land for a permanent school fund, so should we now set aside in a tax a fair share of our oil to go into a permanent fund to take its place when the oil is gone. That's the way we do it in business. It's called depreciation or depletion.

How can any man, any Texan, question these principles? Surely here is an issue which rises above personalities. Surely here is a place where we can all meet on a common basis, where we can bury forever the dead past of personal and political differences and concentrate upon the immediate battle. Let's dig a pit to the center of the earth and throw into it all the petty quarrels, all the personalities, all the things which may have divided us in the past. Let's concentrate on the present and future. Let's take care of our own people.

Forget, I beg you, that this is Ernest O. Thompson talking to you. Think of me not as a man you have elected to a public office, but as a citizen of Texas. If our governor will but cooperate with us in this emergency, to him will go all the glory. I ask for none.

I want you who are listening to me to forget any of the personalities involved, mine, or the governor's, or any other. Decide in your own mind whether the principles are right or whether they are wrong. If they are right, I know I can trust the people of Texas to act accordingly.

Here is the opportunity for which Texas has been waiting. Here is a challenge which should stir the blood of every Texan. Will you be with us in this fight? Your legislators can express your wishes in action. Ask them if they won t stop this steal of our oil and tax it a nickel for pensions.

In closing let me issue this challenge to the major oil companies of the East. The evil octopus of monopoly has tried once too often to enslave the people of Texas.

Here is the challenge:

We are citizens of the greatest State in the Union and you are trying to steal our oil and you are trying to enslave our people in poverty. These people, and by these people I mean the people of Texas, will not stand still and allow legalized stealing of our natural resources. We will act.

The people of Texas will procure the cooperation of citizens of other oil producing states to combat this attempt to wreck the prosperity of this all important industry with its resulting effect of men thrown out of employment - the little man in the business facing ruination and other business throughout the country facing depression, all to put a few more millions in the pockets of you - the few wall street monopolists whose code seems to be "rule or ruin".

It is claimed there is no monopoly in the oil business, but a few men in New York are exercising the power of monopoly in the greatest industry which means so much to Texas. They act without rule or reason. We are going to smoke them out.

ORDER OF PROCEDURE TO CONSIDER
WHETHER OR NOT TO CONTINUE
SHUTDOWN BEYOND SEPTEMBER 1.

1. GOVERNOR MILES OPENS MEETING AND MAKES SUCH REMARKS AS HE DEEMS APPROPRIATE.

2. COMMISSIONER WORDEN ORDERS READING OF NOTICE OF HEARING.

3. WHEN READING OF NOTICE IS FINISHED, COMMISSIONER WORDEN ANNOUNCES THAT THE COMMISSION IS READY TO PROCEED.

4. IF ANY WITNESSES ARE OFFERED, COMMISSIONER WORDEN SWEARS THEM IN.

5. IF THERE IS NO TESTIMONY FOR FURTHER CONTINUANCE OF SHUTDOWN, THE COMMISSION ANNOUNCES THROUGH COMMISSIONER WORDEN THAT THE COMMISSION WILL ENTERTAIN AN ORAL COURT MOTION FOR DISMISSAL OF CASE 16.

6. IF ORAL COURT MOTION TO DISMISS IS MADE, COMMISSION MEMBERS CONSULT EACH OTHER AND ANNOUNCE THEIR DECISION, IN CASE THEY HAVE REACHED A DECISION.

7. IF DECISION IS REACHED, FORMAL ORDER OF COMMISSION'S DECISION IS IMMEDIATELY PREPARED AND SUBMITTED TO COMMISSION FOR EXECUTION.

8. COMMISSION ADJOURNS MEETING ON CASE 16 AND THEN CONVENES FOR PURPOSE OF FIXING ALLOWABLE FOR SEPTEMBER.

August 31, 1939

Honorable H. M. Dow
Roswell, New Mexico

Re: Case No. 18 - Matter of Suspension of Production of Crude Petroleum in New Mexico for Such Further Period as may be Necessary (Upon the Expiration of Emergency Order No. 196 of New Mexico Oil Conservation Commission or any Modification thereof) in Order to Prevent Waste.

My dear Hi:

Enclosed please find two copies of the Commission's order in the above captioned matter.

Very truly yours,

OIL CONSERVATION COMMISSION

By_____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 31, 1939

Honorable J. O. Seth
Attorney at Law
Santa Fe, New Mexico

Re: Case No. 18 - Matter of Suspension of Production of Crude Petroleum in New Mexico for Such Further Period as may be Necessary (Upon the Expiration of Emergency Order No. 196 of New Mexico Oil Conservation Commission or any modification thereof) in Order to Prevent Waste.

My dear Judge:

Enclosed please find two copies of the Commission's order in the above captioned matter.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ix
Enc.

HOBBS, LEA COUNTY, THE OIL CAPITAL OF THE GRE- SOUTHWEST
THE VOICE OF A $25,000,000.00 ANNUAL PAYROLL

THE HOBBS DAILY NEWS-SUN
PUBLISHED BY SUN PUBLISHING CORPORATION
PRINTERS - PUBLISHERS - STATIONERS
TELEPHONES 300 AND 319
HOBBS, NEW MEXICO

August 28, 1939.

Mr. Carl B. Livingston, attorney
New Mexico Oil Conservation Commission,
Santa Fe, New Mexico.

Dear Mr. Livingston:

I am enclosing another affadavit of publication on Case 18, which was published in the NEWS SUN on the 20 and 21 of this month.

The first affadavit was mailed from this office in the same envelope which contained the affadavit for Case no. 16, which was published on August 21.

I trust you received the papers which you asked me to mail to your office.

Thanking you, and with kind personal regards, we are

Very truly yours,

HOBBS DAILY NEWS SUN

By Nancy Heard

N/encl.

AFFIDAVIT OF PUBLICATION

State of New Mexico,
County of Lea

I, Thomas G. Summers
Publisher

Of the Hobbs Daily News-Sun, a daily newspaper published at Hobbs, New Mexico, do solemnly swear that the clipping attached hereto was published ~~one week~~ in the regular and entire issue of said paper, and not in a supplement thereof for a

period of
two issues

beginning with the issue dated
August 20, 1939

and ending with the issue dated
August 21, 1939

Thomas G Summers
Publisher.

Sworn and subscribed to before me
this 28 day of
Aug, 1939

John L Emerson
Notary Public.

My commission expires 2/5
(Seal), 1941

This newspaper is duly qualified to publish legal notices or advertisements within the meaning of Section 3, Chapter 167, Laws of 1937, ~~and payment of fees for said publication has been made.~~

Run Aug. 20 and 21

NOTICE FOR PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Pursuant to Chapter 72, Session Laws of 1935, State of New Mexico, by which Act the Oil Conservation Commission of New Mexico was created, investing said Commission with the jurisdiction and authority over all matters relating to the conservation of oil and gas in this State and of the enforcement of all provisions of said Act, notice is hereby given that a public hearing will be held at the Capitol, Santa Fe, New Mexico, on the 31st day of August, 1939, at nine o'clock A. M., for the purpose of considering the following:

Case No. 18.

The suspension of production of crude petroleum in New Mexico for such further period as may be necessary (upon the expiration of Emergency Order No. 196 of the New Mexico Oil Conservation Commission or any modification thereof) in order to prevent waste.

Any person having any interest in the subject of the said hearing shall be entitled to be heard.

Given under the seal of said Commission at Santa Fe, New Mexico, on August 19, 1939.

OIL CONSERVATION COMMISSION
(Sgd.) FRANK WORDEN,
Commissioner of Public Lands.
(Sgd.) A. ANDRAS,
State Geologist.
(SEAL)

August 31, 1939

Hon. Robert E. Hardwicke
Attorney at Law
1701-5 Fair Building
Fort Worth, Texas

My dear Bob:

Thank you for your kind letter of August 29 in which you raised an interesting point. In so far as the New Mexico Oil Conservation Commission is concerned, the order of suspension of production of crude petroleum was for the prevention of waste. Our statute, Section 2, Sub-section c, provides that production in excess of reasonable market demands constitutes waste. I am aware of the provisions of the Interstate Oil Compact, which authorize the limitation of production for the purpose of prevention of waste.

With all the foregoing in mind, the issuance by the Commission of its emergency order for suspension was for the express purpose of preventing waste, inasmuch as it was quite apparent that there was on the market an excess in production over and above reasonable market demand.

With kindest personal regards, I am,

Cordially yours,

Carl B. Livingston
Attorney

CBL:ik

ROBERT E. HARDWICKE
MAURICE CHEEK

LAW OFFICES OF
HARDWICKE & CHEEK
1701-5 FAIR BUILDING
FORT WORTH, TEXAS

August 29, 1939

File: 754-C

Mr. Carl B. Livingston,
Attorney for Oil Conservation Commission,
Santa Fe, New Mexico.

My dear Carl:

Thanks for your letter of August 18th enclosing order of the Commission with respect to the 15-day shut-down. Whether or not the order is legal, it is likely that beneficial results will follow.

I saw Governor Miles, and Dow et al. at the meeting of the Railroad Commission in Austin yesterday. The Railroad Commission of Texas, as well as the members of the Interstate Oil Compact, were very much interested in prices. I wonder how members of the Compact feel after reading the provision stating that production should never be regulated for the purpose of affecting prices.

Very truly yours,

R. E. Hardwicke

REH:c

1217-A

CLASS OF SERVICE DESIRED

DOMESTIC		CABLE	
TELEGRAM	X	FULL RATE	
DAY LETTER		DEFERRED	
NIGHT MESSAGE		NIGHT LETTER	
NIGHT LETTER		SHIP RADIOGRAM	

Patrons should check class of service desired; otherwise message will be transmitted as a full-rate communication.

WESTERN UNION

R. B. WHITE, PRESIDENT
NEWCOMB CARLTON, CHAIRMAN OF THE BOARD
J. C. WILLEVER, FIRST VICE-PRESIDENT

CHECK
ACCT'G INFMN.
TIME FILED

Send the following message, subject to the terms on back hereof, which are hereby agreed to

SANTA FE, NEW MEXICO
AUGUST 28, 1939

HONORABLE VAN P WELCH
c/o CORTEZ HOTEL
EL PASO, TEXAS

HEARING ON SHUTDOWN MATTER TO BE NINE AM AUGUST 31
AT SANTA FE

FRANK WORDEN
COMMISSIONER

(Charge to State Land Office)

THE QUICKEST, SUREST AND SAFEST WAY TO SEND MONEY IS BY TELEGRAPH OR CABLE

CITIES SERVICE OIL COMPANY

PRODUCERS-REFINERS-MARKETERS OF PETROLEUM PRODUCTS

BARTLESVILLE
OKLAHOMA

Legal Division
August 21, 1939

Mr. Carl B. Livingston, Attorney
Oil Conservation Commission
State Capitol
Santa Fe, New Mexico

Re: Suspension of production
of crude petroleum in
New Mexico

My dear Mr. Livingston:

I have your letter of August 17 furnishing me with a copy of Emergency Order No. 196 of the Oil Conservation Commission ordering suspension of production of crude oil for fifteen days in New Mexico and your letter of August 19 enclosing Notice of Hearing in the above captioned matter set for August 31, 1939 at Santa Fe, and thank you therefor.

Some one said every cloud has a silver lining. In these troublesome times we are looking for the silver lining and trusting that in due course of events it will appear and our current economic maladjustment will disappear.

With sincere regards, I am

Very truly yours,

Harper McCoy

Assistant Chief Counsel

HMcC sm

PRICES SUBJECT TO CHANGE WITHOUT NOTICE. ORDERS ACCEPTED CONTINGENT UPON STRIKES, ACCIDENTS, DELAYS BY CARRIERS, OR OTHER CAUSES BEYOND OUR CONTROL
ALL COMMUNICATIONS SHOULD BE ADDRESSED TO THE COMPANY

LEGAL NOTICE

Run Aug. 20 and 21

NOTICE FOR PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Pursuant to Chapter 72, Session Laws of 1935, State of New Mexico, by which Act the Oil Conservation Commission of New Mexico was created, investing said Commission with the jurisdiction and authority over all matters relating to the conservation of oil and gas in this State and of the enforcement of all provisions of said Act, notice is hereby given that a public hearing will be held at the Capitol, Santa Fe, New Mexico, on the 31st day of August, 1939, at nine o'clock A. M., for the purpose of considering the following:

Case No. 18.

The [illegible] of production of crude petroleum in New Mexico for such further period as may be necessary upon the expiration of [illegible] Order No. 138 of the [illegible] Oil Conservation [illegible] to any modification [illegible] order to prevent waste.

Any person having any interest in the subject of the said hearing shall be entitled to be heard.

Given under the seal of said Commission at Santa Fe, New Mexico, on August 10, 1939.

OIL CONSERVATION COMMISSION

[illegible]

(Sgd.) FRANK WORDEN,
Commissioner of Public Lands.

(Sgd.) A. GNDEAS,
State Geologist.

(SEAL)

August 25, 1939

Mr. Roy Yarbrough
Oil Conservation Commission
Hobbs, New Mexico

Re: Notice for Publication, Case 18.

My dear Roy:

Please go to the News-Sun office and see that the publisher's affidavit for the two days, August 20 and 21, for hearing in Case 18 is executed and sent to Santa Fe immediately. This is of utmost importance in order to prove service, and the time is short before the hearing on August 31. Enclosed is a carbon copy of a letter which I have just written the Editor, Mr. Dixon.

The affidavit for publication of notice of hearing in Case 16, published August 21, was today received and should have been accompanied by the affidavit in Case 18.

Very truly yours,

OIL CONSERVATION COMMISSION

By_____
Carl B. Livingston
Attorney

CBL:ik
Encl.

August 25, 1939

Special Delivery

Mr. Kenneth L. Dixon, Editor
Hobbs Daily News-Sun
Hobbs, New Mexico

Re: Notice for Publication, suspension of production of crude petroleum in New Mexico for Such further period as may be necessary (upon expiration of Emergency Order No. 196 of Oil Conservation Commission or any modification thereof) in order to prevent waste.

My dear Mr. Dixon:

The publisher's affidavit for notice of hearing in Case 18 for the two days, August 20 and August 21, has not been received. It is imminently necessary that the Commission have this affidavit in question before the date of the hearing on August 31. Please be sure to make the affidavit show that the publication was twice, August 20 and 21.

The publisher's affidavit for Case 16, which appeared August 21 once, was today received.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik

SKELLY OIL COMPANY

TULSA, OKLAHOMA

LAND AND LEASE DEPARTMENT
JAMES FITZGERALD, JR., MANAGER
WEST TEXAS-NEW MEXICO DIVISION
MIDLAND, TEXAS

August 21, 1939

Mr. Carl B. Livingston,
Attorney,
New Mexico Oil Conservation Commission,
Santa Fe, New Mexico.

Dear Carl:

This will acknowledge your letters of August 17th and 19th for which I wish to thank you.

I will try to attend the Hearing set for August 31st, 1939, at Santa Fe.

Cordial regards,

James FitzGerald, Jr.

JFG:RH

My compliments to you and the Conservation Commission. This shut down should surely get the job done for the oil business.

J.

August 24, 1939

AIRMAIL

Colonel Ernest O. Thompson
Chairman, Texas Railroad Commission
Austin, Texas

Re: Suspension of production of crude petroleum in New Mexico for such further period as may be necessary (upon expiration of Emergency Order No. 196 of Oil Conservation Commission or any modification thereof) in order to prevent waste.

My dear Colonel Thompson:

Enclosed please find Notice of Hearing in the above captioned matter set for August 31, 1939, at Santa Fe.

Very truly yours,

OIL CONSERVATION COMMISSION

By_____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 24, 1939

Honorable J. W. Armstrong
Conservation Officer
Corporation Commission of Oklahoma
Oklahoma City, Oklahoma

Re: Suspension of production of crude petroleum in New Mexico for such further period as may be necessary (upon expiration of Emergency Order No. 196 of Oil Conservation Commission or any modification thereof) in order to prevent waste.

My dear Mr. Armstrong:

Enclosed please find Notice of Hearing in the above captioned matter set for August 31, 1939, at Santa Fe.

Very truly yours,

OIL CONSERVATION COMMISSION

By_____
Carl B. Livingston
Attorney

CBL:ik
Enc.

PRORATION OFFICE
HOBBS, N.M.
AUG. 21-39

NEW MEXICO
OIL CONSERVATION COMMISSION
RECEIVED
AUG 23 1939

ALL OPERATORS

GENTLEMEN:

The following notice has been received by this office from the Oil Conservation Commission, Santa Fe, New Mexico:

NOTICE FOR PUBLICATION

STATE OF NEW MEXICO

OIL CONSERVATION COMMISSION

Pursuant to Chapter 72, Session Laws of 1935, State of New Mexico, by which Act the Oil Conservation Commission of New Mexico was created, investing said Commission with the jursidiction and authority over all matters relating to the conservation of oil and gas in this State and of the enforcement of all provisions of said Act, notice is hereby given that a public hearing will be held at the Capitol, Santa Fe, New Mexico, on the 31st day of August, 1939, at nine o'clock A.M., for the purpose of considering the following:

Case No. 18.

The suspension of production of crude petroleum in New Mexico for such further period as may be necessary (upon the expiration of Emergency Order No. 196 of the New Mexico Oil Conservation Commission or any modification thereof) in order to prevent waste.

Any person having any interest in the subject of the said hearing shall be entitled to be heard.

Given under the seal of said Commission at Santa Fe, New Mexico, on August 19, 1939

OIL CONSERVATION COMMISSION

Sgd. By: Frank Wordon,
Commissioner of Public Lands

Sgd. By: A. Andreas,
State Geologist

August 19, 1939

Mr. Hayes McCoy
Cities Service Oil Company
Bartlesville, Oklahoma

Re: Suspension of production of crude petroleum in New Mexico for such further period as may be necessary (upon expiration of Emergency Order No. 196 of Oil Conservation Commission or any modification thereof) in order to prevent waste.

My dear Mr. McCoy:

Enclosed please find Notice of Hearing in the above captioned matter set for August 31, 1939, at Santa Fe.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 19, 1939

Honorable Glenn Staley
Proration Umpire
Hobbs, New Mexico

Re: Suspension of production of crude petroleum in New Mexico for such further period as may be necessary (upon expiration of Emergency Order No. 196 of Oil Conservation Commission or any modification thereof) in order to prevent waste.

My dear Glenn:

Enclosed please find Notice of Hearing in the above captioned matter set for August 31, 1939, at Santa Fe.

Very truly yours,

OIL CONSERVATION COMMISSION

By_____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 19, 1939

Honorable John Frost
U. S. Geological Survey
Farmington, New Mexico

Re: Suspension of production of crude petroleum in New Mexico for such further period as may be necessary (upon expiration of Emergency Order No. 196 of Oil Conservation Commission or any modification thereof) in order to prevent waste.

My dear Jack:

Enclosed please find Notice of Hearing in the above captioned matter set for August 31, 1939, at Santa Fe.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 19, 1939

Mr. Roy Yarbrough
Oil Conservation Commission
Hobbs, New Mexico

Re: Suspension of production of crude petroleum in New Mexico for such further period as may be necessary (upon expiration of Emergency Order No. 196 of Oil Conservation Commission or any modification thereof) in order to prevent waste.

My dear Roy:

Enclosed please find Notice of Hearing in the above captioned matter set for August 31, 1939, at Santa Fe.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 19, 1939

Honorable James Fitzgerald, Jr.
Land & Lease Department
Skelly Oil Company
Midland, Texas

Re: Suspension of production of crude petroleum in New Mexico for such further period as may be necessary (upon expiration of Emergency Order No. 196 of Oil Conservation Commission or any modification thereof) in order to prevent waste.

My dear Jim:

Enclosed please find Notice of Hearing in the above captioned matter set for August 31, 1939, at Santa Fe.

Very truly yours,

OIL CONSERVATION COMMISSION

By_____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 19, 1939

Mr. J. P. Shannon
~~Snowden & Mc~~Sweeney Oil Co.
Fort Worth, Texas

Re: Suspension of production of crude petroleum in New Mexico for such further period as may be necessary (upon expiration of Emergency Order No. 196 of Oil Conservation Commission or any modification thereof) in order to prevent waste.

My dear Mr. Shannon:

Enclosed please find Notice of Hearing in the above captioned matter set for August 31, 1939, at Santa Fe.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:lk
Enc.

August 19, 1939

Honorable A. M. McCorkle
Vice-President
Stanolind Oil & Gas Company
Fort Worth, Texas

Re: Suspension of production of crude petroleum in New Mexico for such further period as may be necessary (upon expiration of Emergency Order No. 196 of Oil Conservation Commission or any modification thereof) in order to prevent waste.

My dear Mr. Mac:

Enclosed please find Notice of Hearing in the above captioned matter set for August 31, 1939, at Santa Fe.

Very truly yours,

OIL CONSERVATION COMMISSION

By_____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 19, 1939

Mr. G. H. Card
Stanolind Oil & Gas Co.
Fort Worth, Texas

Re: Suspension of production of crude petroleum in New Mexico for such further period as may be necessary (upon expiration of Emergency Order No. 196 of Oil Conservation Commission or any modification thereof) in order to prevent waste.

My dear George:

Enclosed please find Notice of Hearing in the above captioned matter set for August 31, 1939, at Santa Fe.

Very truly yours,

OIL CONSERVATION COMMISSION

By_____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 19, 1939

Mr. Glenn Bish
Ohio Oil Company
Hobbs, New Mexico

Re: Suspension of production of crude petroleum in New Mexico for such further period as may be necessary (upon expiration of Emergency Order No. 196 of Oil Conservation Commission or any modification thereof) in order to prevent waste.

My dear Glenn:

Enclosed please find Notice of Hearing in the above captioned matter set for August 31, 1939, at Santa Fe.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 19, 1939

Mr. D. D. Bodie
Cities Service Oil Company
Hobbs, New Mexico

Re: Suspension of production of crude petroleum in New Mexico for such further period as may be necessary (upon expiration of Emergency Order No. 196 of Oil Conservation Commission or any modification thereof) in order to prevent waste.

My dear Don:

Enclosed please find Notice of Hearing in the above captioned matter set for August 31, 1939, at Santa Fe.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 19, 1939

Honorable M. M. Dow
Roswell, New Mexico

Re: Suspension of production of crude petroleum in New Mexico for such further period as may be necessary (upon expiration of Emergency Order No. 196 of Oil Conservation Commission or any modification thereof) in order to prevent waste.

My dear Hi:

Enclosed please find Notice of Hearing in the above captioned matter set for August 31, 1939, at Santa Fe.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 19, 1939

Honorable Harry Leonard
Roswell, New Mexico

Re: Suspension of production of crude petroleum in New Mexico for such further period as may be necessary (upon expiration of Emergency Order No. 196 of Oil Conservation Commission or any modification thereof) in order to prevent waste.

My dear Harry:

Enclosed please find Notice of Hearing in the above captioned matter set for August 31, 1939, at Santa Fe.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 19, 1939

Honorable James M. Murray
Lieutenant Governor
Hobbs, New Mexico

My dear Jim: Re: Suspension of production of crude petroleum in New Mexico for such further period as may be necessary (upon expiration of Emergency Order No. 196 of Oil Conservation Commission or any modification thereof) in order to prevent waste.

Enclosed please find Notice of Hearing in the above captioned matter set for August 31, 1939, at Santa Fe.

Very truly yours,

OIL CONSERVATION COMMISSION

By_____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 19, 1939

Honorable J. D. Atwood
Roswell, New Mexico

Re: Suspension of production of crude petroleum in New Mexico for such further period as may be necessary (upon expiration of Emergency Order No. 196 of Oil Conservation Commission or any modification thereof) in order to prevent waste.

My dear Colonel:

Enclosed please find Notice of Hearing in the above captioned matter set for August 31, 1939, at Santa Fe.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 19, 1939

Hobbs Daily News-Sun
Hobbs, New Mexico

Gentlemen:

There is enclosed herewith a Notice for Publication, which you are kindly requested to publish once immediately. You are also requested to furnish this Commission with a copy containing this publication.

Immediately upon completion of the publication be sure to transmit to the Oil Conservation Commission your affidavit of publication.

Upon sending to the Commission your affidavit of publication, please send your statement in duplicate and enclosed purchase voucher also in duplicate.

Very truly yours,

OIL CONSERVATION COMMISSION

By_____
Carl B. Livingston
Attorney

CBL:ik
Encls.

August 19, 1939

New Mexico Examiner
Santa Fe, New Mexico

Gentlemen:

There is enclosed herewith a Notice for Publication, which you are kindly requested to publish once immediately. You are also requested to furnish this Commission with a copy containing this publication.

Immediately upon completion of the publication be sure to transmit to the Oil Conservation Commission your affidavit of publication.

Upon sending to the Commission your affidavit of publication, please send your statement in duplicate and enclosed purchase voucher also in duplicate.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik
Encls.

1217-A

CLASS OF SERVICE DESIRED

DOMESTIC		CABLE	
TELEGRAM		FULL RATE	
DAY LETTER	X	DEFERRED	
NIGHT MESSAGE		NIGHT LETTER	
NIGHT LETTER		SHIP RADIOGRAM	

Patrons should check class of service desired; otherwise message will be transmitted as a full-rate communication.

WESTERN UNION

R. B. WHITE, PRESIDENT
NEWCOMB CARLTON, CHAIRMAN OF THE BOARD
J. C. WILLEVER, FIRST VICE-PRESIDENT

CHECK

ACCT'G INFMN.

TIME FILED

Send the following message, subject to the terms on back hereof, which are hereby agreed to

SANTA FE, NEW MEXICO
AUGUST 22, 1939

TEXAS NEW MEXICO PIPE LINE COMPANY
HOUSTON, TEXAS

GLENN STALEY AND ROY YARBROUGH ARE AUTHORIZED BY THE COMMISSION TO OK EXCEPTIONS TO THE GENERAL SHUTDOWN ORDER AND ARE ALSO AUTHORIZED TO ALLOW PIPE LINE RUNS FROM WELLS THAT HAVE BEEN EXCEPTED FROM SAID ORDER STOP CONFIRMATION IS BEING MADE BY LETTER

NEW MEXICO OIL CONSERVATION COMMISSION
BY FRANK WORDEN, SECRETARY

(Charge to Oil Conservation Commission)

Same telegram sent to:

Humble Oil & Rfg. Co.
Houston, Tex.

Mr. Rush Greenslade
Gulf Rfg. Co., Tulsa, Okla.

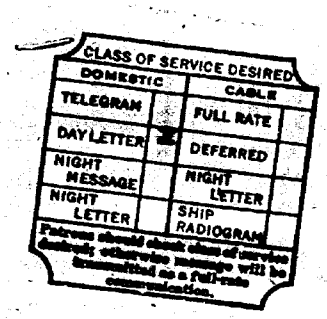
Mr. Roy Yarbrough
Oil & Gas Inspector, Hobbs, N.M.

Mr. Don Crites
Shell Oil Co., Inc., Houston

Atlantic Rfg. Co.
Magnolia Bldg., Dallas, Tex.

Mr. Glenn Staley
Proration Umpire, Hobbs, N.M.

THE QUICKEST, SUREST AND SAFEST WAY TO SEND MONEY IS BY TELEGRAPH OR CABLE



COPY OF WESTERN UNION TELEGRAM

SANTA FE, NEW MEXICO
AUGUST 22, 1939

MR ROY YARBROUGH
STATE OIL AND GAS INSPECTOR
HOBBS NEW MEXICO

GLENN STALEY AND ROY YARBROUGH ARE AUTHORIZED BY THE COMMISSION TO OK EXCEPTIONS TO THE GENERAL SHUTDOWN ORDER AND ARE ALSO AUTHORIZED TO ALLOW PIPE LINE RUNS FROM WELLS THAT HAVE BEEN EXCEPTED FROM SAID ORDER STOP CONFIRMATION IS BEING MADE BY LETTER

NEW MEXICO OIL CONSERVATION COMMISSION
BY FRANK WORDEN, SECRETARY

(Charge to Oil Conservation Commission)

NEW MEXICO OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

August 22, 1939

C

O

P

Y

Mr. Roy Yarbrough
State Oil and Gas Inspector
Hobbs, New Mexico

Re: The authorization to Glenn Staley and Roy Yarbrough to grant exceptions from general shut down order and to authorize runs from wells excepted from said order.

Dear Mr. Yarbrough:

This is to confirm the telegram of the Commission sent you on August 22 in connection with the above captioned matter. A copy of said telegram is herewith enclosed.

Very truly yours,

OIL CONSERVATION COMMISSION

CLASS OF SERVICE DESIRED

DOMESTIC		CABLE	
TELEGRAM		FULL RATE	
DAY LETTER	X	DEFERRED	
NIGHT MESSAGE		NIGHT LETTER	
NIGHT LETTER		SHIP RADIOGRAM	

Patrons should check class of service desired; otherwise message will be transmitted as a full-rate communication.

COPY OF WESTERN UNION TELEGRAM

SANTA FE, NEW MEXICO
AUGUST 22, 1939

MR GLENN STALEY
PRORATION UMPIRE
HOBBS NEW MEXICO

GLENN STALEY AND ROY YARBROUGH ARE AUTHORIZED BY THE COMMISSION TO GRANT EXCEPTIONS TO THE GENERAL SHUTDOWN ORDER AND ARE ALSO AUTHORIZED TO ALLOW PIPE LINE RUNS FROM WELLS THAT HAVE BEEN EXCEPTED FROM SAID ORDER NOP CONFIRMATION IS BEING MADE BY LETTER

NEW MEXICO OIL CONSERVATION COMMISSION
BY FRANK WORDEN, SECRETARY

(Charge to Oil Conservation Commission)

NEW MEXICO OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

August 22, 1939

COPY

Mr. Glenn Staley
Proration Umpire
Hobbs, New Mexico

Re: The authorization to Glenn Staley and Roy Yarbrough to grant exceptions from general shut down order and to authorize runs from wells excepted from said order.

Dear Mr. Staley:

This is to confirm the telegram of the Commission sent you on August 22 in connection with the above captioned matter. A copy of said telegram is herewith enclosed.

Very truly yours,

OIL CONSERVATION COMMISSION

By_____
Frank Worden, Secretary

FW:L:k
Enc.

NEW MEXICO OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

August 22, 1939

COPY

Honorable Don Jones
Continental Oil Company
Denver, Colorado

Dear Mr. Jones:

Pursuant to your conversation by long distance today, enclosed please find copy of telegram to Mr. Glenn Staley and Mr. Roy Yarbrough and copy of confirmatory letter pertaining thereto, which matters are self-explanatory.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 22, 1939

Mr. Roy Yarbrough
State Oil & Gas Inspector
Oil Conservation Commission
Hobbs, New Mexico

Re: The authorization to Glenn Staley and Roy Yarbrough to grant exceptions from general shut down order and to authorize runs from wells excepted from said order.

Dear Mr. Yarbrough:

Enclosed please find copies of telegrams to the pipe line companies and copy of letter of confirmation of said telegram in connection with the above captioned matter.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik
Encls.

August 22, 1939

Mr. Glenn Staley
Proration Umpire
Hobbs, New Mexico

Re: The authorization to Glenn Staley and Roy Yarbrough to grant exceptions from general shut down order and to authorize runs from wells excepted from said order.

Dear Mr. Staley:

Enclosed please find copies of telegrams to the pipe line companies and copy of letter of confirmation of said telegram in connection with the above captioned matter.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik
Encls.

August 22, 1939

Honorable Don Jones
Continental Oil Company
Denver, Colorado

Dear Mr. Jones:

Pursuant to your conversation by long distance today, enclosed please find copy of telegram to Mr. Glenn Staley and Mr. Roy Yarbrough and copy of confirmatory letter pertaining thereto, which matters are self-explanatory.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 22, 1939

Honorable E. R. Wright
Attorney at Law
Santa Fe, New Mexico

Re: The authorization to Glenn Staley and Roy Yarbrough to grant exceptions from general shut down order and to authorize runs from wells excepted from said order.

My dear Judge Wright:

With reference to your conversation by telephone this forenoon, please find enclosed a copy of telegram to the Texas-New Mexico Pipe Line Company of Houston and a copy of our letter of confirmation.

Very truly yours,

OIL CONSERVATION COMMISSION

By_____
Frank Worden, Secretary

FW:L:k
Enc.

August 22, 1939

Mr. Don Crites
Shell Oil Company, Inc.
Houston, Texas

Re: The authorization to Glenn Staley and Roy Yarbrough to grant exceptions from general shut down order and to authorize runs from wells excepted from said order.

Dear Mr. Crites:

This is to confirm the telegram of the Commission sent you on August 22 in connection with the above captioned matter. A copy of said telegram is herewith enclosed.

Very truly yours,

OIL CONSERVATION COMMISSION

By_____
Frank Worden, Secretary

FW:L:k
Enc.

August 22, 1939

Atlantic Refining Company
Magnolia Building
Dallas, Texas

Re: The authorization to Glenn Staley and Roy Yarbrough to grant exceptions from general shut down order and to authorize runs from wells excepted from said order.

Gentlemen:

This is to confirm the telegram of the Commission sent you on August 22 in connection with the above captioned matter. A copy of said telegram is herewith enclosed.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Frank Worden, Secretary

FW:L:k
Enc.

August 22, 1939

Texas New Mexico Pipe Line Company
Houston, Texas

Re: The authorisation to Glenn Staley and Roy Yarbrough to grant exceptions from general shut down order and to authorize runs from wells excepted from said order.

Gentlemen:

This is to confirm the telegram of the Commission sent you on August 22 in connection with the above captioned matter. A copy of said telegram is herewith enclosed.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Frank Worden, Secretary

FW:L:k
Enc.

August 22, 1939

Mr. Roy Yarbrough
State Oil and Gas Inspector
Hobbs, New Mexico

Re: The authorization to Glenn Staley and Roy Yarbrough to grant exceptions from general shut down order and to authorize runs from wells excepted from said order.

Dear Mr. Yarbrough:

This is to confirm the telegram of the Commission sent you on August 22 in connection with the above captioned matter. A copy of said telegram is herewith enclosed.

Very truly yours,

OIL CONSERVATION COMMISSION

By_____
Frank Worden, Secretary

FW:Lik
Enc.

August 22, 1939

Mr. Rush Greenslade
Gulf Refining Company
Tulsa, Oklahoma

Re: The authorization to Glenn Staley and Roy Yarbrough to grant exceptions from general shut down order and to authorize runs from wells excepted from said order.

Dear Mr. Greenslade:

This is to confirm the telegram of the Commission sent you on August 22 in connection with the above captioned matter. A copy of said telegram is herewith enclosed.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Frank Worden, Secretary

FW:L:k
Enc.

August 22, 1939

Humble Oil & Refining Company
Houston, Texas

Re: The authorization to Glenn Staley and Roy Yarbrough to grant exceptions from general shut down order and to authorize runs from wells excepted from said order.

Gentlemen:

This is to confirm the telegram of the Commission sent you on August 22 in connection with the above captioned matter. A copy of said telegram is herewith enclosed.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Frank Worden, Secretary

FW:L:k
Enc.

August 22, 1939

Mr. Glenn Staley
Proration Umpire
Hobbs, New Mexico

Re: The authorization to Glenn Staley and Roy Yarbrough to grant exceptions from general shut down order and to authorize runs from wells excepted from said order.

Dear Mr. Staley:

This is to confirm the telegram of the Commission sent you on August 22 in connection with the above captioned matter. A copy of said telegram is herewith enclosed.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Frank Worden, Secretary

FW:L:k
Enc.

CLASS OF SERVICE DESIRED

DOMESTIC		CABLE	
TELEGRAM		FULL RATE	
DAY LETTER		DEFERRED	
NIGHT MESSAGE		NIGHT LETTER	
NIGHT LETTER		SHIP RADIOGRAM	

Patrons should check class of service desired; otherwise message will be transmitted as a full-rate communication.

(46)

WESTERN UNION

R. B. WHITE, PRESIDENT
NEWCOMB CARLTON, CHAIRMAN OF THE BOARD
J. C. WILLEVER, FIRST VICE-PRESIDENT

1217-A

CHECK

ACCT'G INFMN.

TIME FILED

Send the following message, subject to the terms on back hereof, which are hereby agreed to

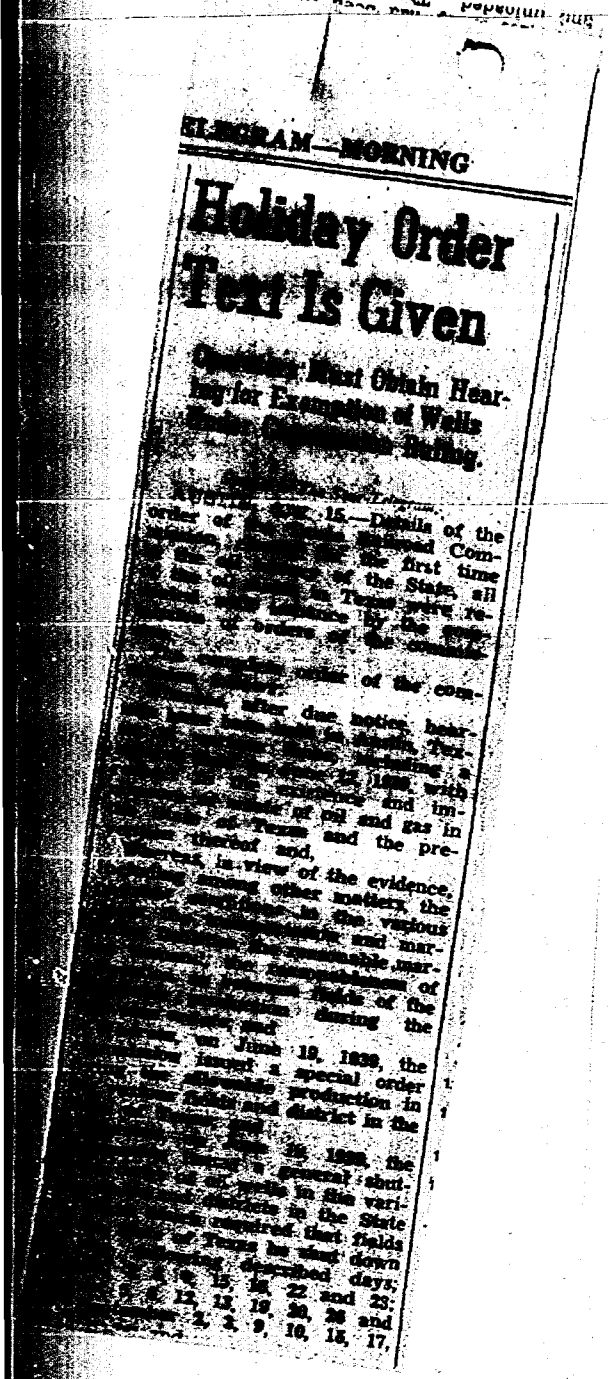
1939 Aug 18 PM 12 51

VE119 156 10 EXTRA - AUSTIN TEX 18 1228P
HONORABLE JOHN E MILES, GOVERNOR OF NEWMEXICO-

IN ORDER THAT ANY RUMORS TO THE CONTRARY MAY BE PROMPTLY STOPPED I WISH TO STATE TO YOU THAT IT IS THE INTENTION AND ORDER OF THE RAILROAD COMMISSION OF TEXAS TO EXEMPT FROM THE OIL SHUT-DOWN ORDER ONLY THOSE WELLS THAT HAVE SUCH A HIGH WATER PRODUCTION WITH THE OIL THAT TO SHUT THEM IN COMPLETELY WOULD KILL THE WELL AND CAUSE WASTE, ALSO ONLY THOSE WELLS FROM WHICH NATURAL GAS IS BEING PRODUCED WITH THE OIL AND WHERE THE NATURAL GAS FROM THOSE PARTICULAR WELLS IS BEING FURNISHED FOR COOKING AND DOMESTIC USE WHERE NO OTHER SOURCE OF GAS IS EASILY AVAILABLE. THE REASON FOR THIS TELEGRAM IS THAT RUMORS HAVE REACHED US FROM OTHER STATES THAT REPRESENTATIONS WERE BEING MADE TO THE EFFECT THAT TEXAS WAS LETTING WELLS OTHER THAN THESE OPERATE. WILL YOU PLEASE INFORM YOUR REGULATORY BODY OF THIS TELEGRAM

ERNEST O THOMPSON CHAIRMAN INTERSTATE OIL COM ACT COMMISSION AND MEMBER RAILROAD COMMISSION OF TEXAS

THE QUICKEST, SUREST AND SAFEST WAY TO SEND MONEY IS BY TELEGRAPH OR CABLE



TELEGRAM—MORNING

Holiday Order Text Is Given

Operators Must Obtain Hearing for Exemption of Wells

Austin, Oct. 15.—Details of the ... Railroad Commission's ... the first time ... of the State, all ... Texas were required ... by the ... of the commission ... of the commission ... date notice, hearing ... application ... a hearing ... and impounding ... of oil and gas in ... of Texas and the prevention and, ... in view of the evidence, ... other matters, the ... in the various ... and maximum ... reasonable market ... of the ... during the ... June 19, 1938, the ... issued a special order ... production in ... district in the ... 1938, the ... shutting in the various ... in the State ... that fields ... shut down ... described days: ... 15, 17, 22 and 23; ... 12, 13, 19, 20, 26 and ... 2, 3, 9, 10, 16, 17,

HARRY LEONARD
ROSWELL, NEW MEXICO

Wednesday

Dear Carl:

I am attaching Copy of the Texas order which I thought might interest you

Sincerely

Harry

August 18, 1939

Honorable Harry Leonard
Roswell, New Mexico

My dear Harry:

Thank you indeed for the copy of the Texas order which you were kind enough to send me.

For your record, enclosed please find copy of the New Mexico order which is very brief.

With kindest personal regards,

Cordially yours,

Carl B. Livingston
Attorney

CBL:ik
Enc.

August 18, 1939

Hon. Robert E. Hardwicke
Attorney at Law
Fort Worth, Texas

My dear Bob:

Enclosed please find copy of Emergency Order No. 196 of the Oil Conservation Commission, ordering suspension of production of crude oil for fifteen days.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 18, 1939

Colonel Ernest O. Thompson
Chairman, Texas Railroad Commission
Austin, Texas

My dear Colonel Thompson:

Enclosed please find copy of Emergency Order No. 196 of the Oil Conservation Commission, ordering suspension of production of crude oil for fifteen days.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 18, 1939

Honorable Ernest Hansen
U. S. Geological Survey
Roswell, New Mexico

Dear Mr. Hansen:

Enclosed please find copy of Emergency Order No. 196 of the Oil Conservation Commission, ordering suspension of production of crude oil for fifteen days.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 16, 1939

Hon. James L. Shepherd, Jr.
Attorney at Law
Houston, Texas

My dear Mr. Shepherd:

Enclosed please find copy of Emergency Order No. 196 of the Oil Conservation Commission, ordering suspension of production of crude oil for fifteen days.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 17, 1939

Mr. D. R. Knowlton
Phillips Petroleum Company
Bartlesville, Oklahoma

Dear Mr. Knowlton:

Enclosed please find copy of Emergency Order No. 196 of the Oil Conservation Commission, ordering suspension of production of crude oil for fifteen days.

Very truly yours,

OIL CONSERVATION COMMISSION

By_____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 17, 1939

Mr. Glenn Bish
Ohio Oil Company
Hobbs, New Mexico

My dear Glenn:

Enclosed please find copy of Emergency Order No. 196 of the Oil Conservation Commission, ordering suspension of production of crude oil for fifteen days.

Very truly yours,

OIL CONSERVATION COMMISSION

By_____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 17, 1939

Mr. J. P. Cusack
Samedan Oil Corporation
Ardmore, Oklahoma

Dear J. P.:

Enclosed please find copy of Emergency Order No. 196 of the Oil Conservation Commission, ordering suspension of production of crude oil for fifteen days.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 17, 1939

Mr. Paul A. McDermitt
Repollo Oil Company
Fort Worth, Texas

Dear Mr. McDermitt:

Enclosed please find copy of Emergency Order No. 196 of the Oil Conservation Commission, ordering suspension of production of crude oil for fifteen days.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 17, 1939

Mr. G. H. Card
Stanolind Oil & Gas Co.
Fort Worth, Texas

My dear George:

Enclosed please find copy of Emergency Order No. 196 of the Oil Conservation Commission, ordering suspension of production of crude oil for fifteen days.

Very truly yours,

OIL CONSERVATION COMMISSION

By_____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 17, 1939

Mr. Edgar Kraus
Atlantic Refining Company
Carlsbad, New Mexico

Dear Edgar:

Enclosed please find copy of Emergency Order No. 196 of the Oil Conservation Commission, ordering suspension of production of crude oil for fifteen days.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 17, 1939

Mr. W. P. Shannon
Snorden-McSweeney Oil Co.
Fort Worth, Texas

Dear Mr. Shannon:

Enclosed please find copy of Emergency Order No. 196 of the Oil Conservation Commission, ordering suspension of production of crude oil for fifteen days.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 17, 1939

Mr. J. S. Noland
Barnsdall Oil Company
Tulsa, Oklahoma

My dear Jim:

Enclosed please find copy of Emergency Order No. 196 of the Oil Conservation Commission, ordering suspension of production of crude oil for fifteen days.

Very truly yours,

OIL CONSERVATION COMMISSION

By_____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 17, 1939

Mr. M. M. Fleetwood, Jr.
Barnsdall Oil Company
Tulsa, Oklahoma

My dear Mr. Fleetwood:

Enclosed please find copy of Emergency Order No. 196 of the Oil Conservation Commission, ordering suspension of production of crude oil for fifteen days.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 17, 1939

Mr. D. D. Bodie
Cities Service Oil Company
Hobbs, New Mexico

My dear Dan:

Enclosed please find copy of Emergency Order No. 196 of the Oil Conservation Commission, ordering suspension of production of crude oil for fifteen days.

Very truly yours,

OIL CONSERVATION COMMISSION

By_____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 17, 1939

Mr. Hayes McCoy
Cities Service Oil Company
Bartlesville, Oklahoma

My dear Mr. McCoy:

Enclosed please find copy of Emergency Order No. 196 of the Oil Conservation Commission, ordering suspension of production of crude oil for fifteen days.

Very truly yours,

OIL CONSERVATION COMMISSION

By_____
Carl B. Livingston
Attorney

CBL:lk
Enc.

August 17, 1939

Mr. Jack H. Rankin
Repollo Oil Company
Fort Worth, Texas

My dear Jack:

Enclosed please find copy of Emergency Order No. 196 of the Oil Conservation Commission, ordering suspension of production of crude oil for fifteen days.

Very truly yours,

OIL CONSERVATION COMMISSION

By_____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 17, 1939

Mr. O. V. M. Yates
Indian Territory Illuminating Oil Co.
Bartlesville, Oklahoma

My dear Mr. Yates:

Your telegram of August 17 to Governor John E. Miles, requesting copy of Emergency Order No. 196 of the New Mexico Oil Conservation Commission, has been referred to this Department for reply. Enclosed please find copy of such order.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik
Enc.

CLASS OF SERVICE

This is a full-rate Telegram or Cablegram unless its deferred character is indicated by a suitable symbol above or preceding the address.

WESTERN UNION

1201

(43)

SYMBOLS

DL = Day Letter
NL = Night Letter
LC = Deferred Cable
NLT = Cable Night Letter
Ship Radiogram

R. B. WHITE, PRESIDENT
NEWCOMB CARLTON, CHAIRMAN OF THE BOARD
J. C. WILLEVER, FIRST VICE-PRESIDENT

The filing time shown in the date line on telegrams and day letters is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination

Received at

VE93 16 SER=BARTLESVILLE OKLA 17 1158A 1930 AUG 17 AM 11 46

GOVERNOR JOHN E MILES=

STATE CAPITOL

PLEASE WIRE COLLECT SUBSTANCE OIL CONSERVATION COMMISSION SHUTDOWN ORDER THIS DATE ALSO MAIL COPY FORMAL ORDER=

INDIAN TERRITORY ILLUMINATING OIL CO G V N YATES.

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

1217-A

CLASS OF SERVICE DESIRED	
DOMESTIC	CABLE
TELEGRAM	FULL RATE
DAY LETTER	DEFERRED
NIGHT MESSAGE	NIGHT LETTER
NIGHT LETTER	SHIP RADIOGRAM

Patrons should check class of service desired; otherwise message will be transmitted as a full-rate communication.

WESTERN UNION

R. B. WHITE, PRESIDENT
NEWCOMB CARLTON, CHAIRMAN OF THE BOARD
J. C. WILLEVER, FIRST VICE-PRESIDENT

CHECK
ACCT'G INFMN.
TIME FILED

Send the following message, subject to the terms on back hereof, which are hereby agreed to

SANTA FE, NEW MEXICO
AUGUST 17, 1939

MR. G. V. N. YATES
INDIAN TERRITORY ILLUMINATING OIL CO.
BARTLESVILLE, OKLAHOMA

SUBSTANCE EMERGENCY ORDER 196 TO PREVENT WASTE. ORDER PROVIDES THAT ALL PRODUCTION OF CRUDE OIL IN NEW MEXICO BE SUSPENDED FOR A FIFTEEN DAY PERIOD BEGINNING WITH SEVEN O'CLOCK A M AUGUST SEVENTEENTH 1939 AND ENDING AT SEVEN O'CLOCK A M. SEPTEMBER FIRST 1939

NEW MEXICO OIL CONSERVATION COMMISSION

(Send Collect)

THE QUICKEST, SUREST AND SAFEST WAY TO SEND MONEY IS BY TELEGRAPH OR CABLE

August 17, 1939

Honorable C. C. Catron
Santa Fe, New Mexico

Dear Charlie:

Enclosed please find copy of Emergency Order No. 196 of the Oil Conservation Commission, ordering suspension of production of crude oil for fifteen days.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 17, 1939

Honorable J. W. Armstrong
Conservation Officer
Corporation Commission of Oklahoma
Oklahoma City, Oklahoma

My dear Mr. Armstrong:

Enclosed please find a copy of Emergency Order No. 196 ordering a fifteen-day shutdown in New Mexico.

We received the copy of your Oklahoma order this morning, for which we are grateful to you for the thought in sending.

With kindest personal regards,

Cordially yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 17, 1939

Mr. P. R. Smith
Pure Oil Company
P. O. Box 271
Tulsa, Oklahoma

Dear Mr. Smith:

As per your request in your telegram of August 17 to Commissioner Frank Worden, enclosed please find four copies of Emergency Order No. 196.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik

CLASS OF SERVICE

This is a full-rate Telegram or Cablegram unless its deferred character is indicated by a suitable symbol above or preceding the address.

(59)

WESTERN UNION

1201

SYMBOLS

DL = Day Letter
NL = Night Letter
LC = Deferred Cable
NLT = Cable Night Letter
Ship Radiogram

R. B. WHITE, PRESIDENT
NEWCOMB CARLTON, CHAIRMAN OF THE BOARD
J. C. WILLEVER, FIRST VICE-PRESIDENT

The filing time shown in the date line on telegrams and day letters is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination

Received at

1935 AUG 17 PM 1 01

VE127 TWS PAID 3=TULSA OKLA 17 141P

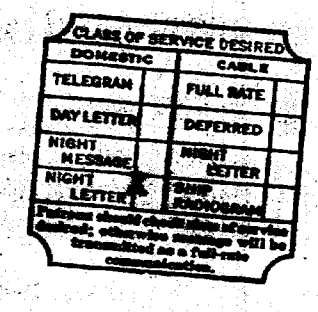
FRANK WORDEN=

STATE LAND COMMISSIONER

WILL YOU KINDLY MAIL ME TODAY IN CARE PURE OIL COMPANY BOX TWO SEVEN ONE TULSA OKLAHOMA FOUR COPIES OF YOUR SHUT DOWN ORDER FOR THE STATE OF NEWMEXICO=

P R SMITH.

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE



WESTERN UNION TELEGRAM

COPY OF

SANTA FE, NEW MEXICO
AUGUST 16, 1939

HONORABLE GLENN STALEY
PRORATION DEPTRE
ROSWELL NEW MEXICO

THE COMMISSION TONITE SIGNED EMERGENCY ORDER NUMBER 196 TO PREVENT WASTE ORDERING THAT ALL PRODUCTION OF CRUDE OIL IN NEW MEXICO BE SUSPENDED FOR A FIFTEEN DAY PERIOD BEGINNING WITH SEVEN O'CLOCK A M AUGUST SEVENTEENTH 1939 AND ENDING AT SEVEN O'CLOCK A M SEPTEMBER FIRST 1939

NEW MEXICO OIL CONSERVATION COMMISSION

(Charge to Oil Conservation Commission)

CLASS OF SERVICE DESIRED			
DOMESTIC		CABLE	
TELEGRAM		FULL RATE	
DAY LETTER		DEFERRED	
NIGHT MESSAGE		NIGHT LETTER	
NIGHT LETTER	X	SHIP RADIOGRAM	

Patrons should check class of service desired; otherwise message will be transmitted as a full-rate communication.

COPY OF
WESTERN UNION TELEGRAM

SANTA FE, NEW MEXICO
AUGUST 16, 1939

HONORABLE H. M. DOW
ROSWELL, NEW MEXICO

THE COMMISSION LATE TONITE SIGNED EMERGENCY ORDER 196 THE FULL TEXT OF WHICH QUOTE WHEREAS IT APPEARS THAT THE IMMEDIATE PRODUCTION OF CRUDE OIL TENDS TO CREATE WASTE BECAUSE OF THE UNSTABLE CONDITION OF THE PETROLEUM INDUSTRY AN EMERGENCY IS HEREBY DECLARED. IT IS THEREFORE ORDERED THAT ALL PRODUCTION OF CRUDE OIL IN NEW MEXICO BE SUSPENDED FOR A FIFTEEN DAY PERIOD BEGINNING WITH SEVEN O'CLOCK A M AUGUST SEVENTEENTH 1939 AND ENDING AT SEVEN O'CLOCK A M SEPTEMBER FIRST 1939 UNQUOTE

CARL B LIVINGSTON

(Charge to Oil Conservation Commission)
~~(Send Collect)~~

CLASS OF SERVICE

This is a full-rate Telegram or Cablegram unless its deferred character is indicated by a suitable symbol above or preceding the address.

(42)

WESTERN UNION

1201

R. B. WHITE
PRESIDENT

NEWCOMB CARLTON
CHAIRMAN OF THE BOARD

J. C. WILLEVER
FIRST VICE-PRESIDENT

SYMBOLS
DL = Day Letter
NL = Night Letter
LC = Deferred Cable
NLT = Cable Night Letter
Ship Radiogram

The filing time shown in the date line on telegrams and day letters is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination

Received at

VE210 11 XC=HOBBS NMEX 16 411P

CARL LIVINSTON= 702 Gomez Rd

MR ANFEEAS AND WARDEN LEFT ELPASO 130P TODAY FOR SANTAFE=
GLENN STALEY.

130P ANFEEAS

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

August 17, 1939

Honorable E. R. Wright
Santa Fe, New Mexico

My dear Judge Wright:

Enclosed please find copy of Emergency Order No. 196 signed by the Commission at 10:52 P. M. last night, ordering suspension of production of crude oil for fifteen days.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 17, 1939

Honorable James M. Murray
Lieutenant Governor of New Mexico
Hobbs, New Mexico

My dear Jim:

Enclosed please find copy of Emergency Order No. 196 signed by the Commission at 10:52 P. M. last night, ordering suspension of production of crude oil for fifteen days.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 17, 1939

Colonel A. D. Atwood
Roswell, New Mexico

My dear Colonel:

Enclosed please find copy of Emergency Order No. 196 signed by the Commission at 10:52 P. M. last night, ordering suspension of production of crude oil for fifteen days.

Very truly yours,

OIL CONSERVATION COMMISSION

By_____
Carl B. Livingston
Attorney

CBL:ik
Encl.

August 17, 1939

Honorable Roy Yarbrough
Oil Conservation Commission
Hobbs, New Mexico

Dear Mr. Yarbrough:

Enclosed please find copy of Emergency Order No. 196 signed by the Commission at 10:52 P. M. last night, ordering suspension of production of crude oil for fifteen days.

Very truly yours,

OIL CONSERVATION COMMISSION

By_____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 17, 1939

Honorable James Fitzgerald, Jr.
Land & Lease Department
Skelly Oil Company
Midland, Texas

Dear Jim:

Enclosed please find copy of Emergency Order No. 196 signed by the Commission at 10:52 P. M. last night, ordering suspension of production of crude oil for fifteen days.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 17, 1939

Honorable A. M. McCorkle
Vice-President
Stanolind Oil & Gas Company
Fort Worth, Texas

My dear Mr. McCorkle:

Enclosed please find copy of Emergency Order No. 196 signed by the Commission at 10:52 P. M. last night, ordering suspension of production of crude oil for fifteen days.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik
Enc.

August 17, 1939

Honorable Glenn Staley
Proration Umpire
Hobbs, New Mexico

Dear Mr. Staley:

Enclosed please find copy of Emergency Order No. 196 signed by the Commission at 10:52 P. M. last night, ordering suspension of production of crude oil for fifteen days.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik
Enc.

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

In the Matter of the Application of Mac Q. Williamson, Attorney General, Wm. J. Armstrong, Conservation Officer, and Earl Foster, Conservation Attorney for an Emergency Order Shutting Down all the Oil Fields in the State of Oklahoma.	CAUSE C. D. NO. 541 ORDER NO. 13123

FINDING AND ORDER OF THE COMMISSION

Now, on this 15th day of August, 1939 the matter of the application of Mac Q. Williamson, Attorney General, Wm. J. Armstrong, Conservation Officer and Earl Foster, Conservation Attorney, for a temporary emergency order shutting down all the oil wells in the oil fields of the State of Oklahoma was presented to the Commission, and the Commission being fully advised in the premises, finds as follows:

That heretofore and on the 28th day of July, 1939 the Commission promulgated Order No. 13085, which limited the production of oil in the State of Oklahoma from the various pools in said State for the month of August, 1939 and that since the issuance of said order it appears that to produce oil in accordance with said order would, in all probability, create waste as defined by the laws of the State of Oklahoma and the amount of oil permitted to be produced by said order would greatly exceed the actual market demand for oil in said State and that the production of oil should be restricted in all of the fields of the State of Oklahoma.

That oil is now being produced in the State of Oklahoma and throughout the United States in such a manner as to cause an unstable condition in the oil industry and there is imminent danger that all of the types of waste as defined in the statutes will be committed unless an extraordinary and emergency order be issued.

That the emergency has arisen by reason of conditions that indicate the necessity of abandoning a large number of stripper wells within the State of Oklahoma, thereby resulting in a permanent loss of oil from such areas and the production has reached a point where it is necessary to store a large quantity of oil, thereby constituting waste as defined by our statutes.

That the conditions which now exist necessitate a thorough examination, survey and investigation of all of the oil fields in the State of Oklahoma and in order to effectively carry out the laws of the State of Oklahoma, it is necessary that the Commission have the time and opportunity to fully examine all of the common sources of supply in said State for the purpose of determining the bottom hole pressures, oil and gas ratios and water encroachment and other conditions that threaten a waste of oil within this State.

That owing to the unsettled and unstable conditions of the oil industry, unratable and disproportionate taking of oil is threatened throughout the various common sources of supply in the State of Oklahoma and it is necessary to fully determine the conditions of each producer and royalty owner in each of the common sources of supply or to determine what will best protect the correlative rights of each and insure ratable and proportionate taking as required by the laws of the State of Oklahoma.

That the Governor of the State of Oklahoma, after a thorough and exhaustive investigation of the conditions in the production of oil, has requested that an order be issued closing down all oil wells in the State of Oklahoma for a period of fifteen (15) days in order that waste be prevented, correlative rights be protected and ratable taking effected.

That owing to the facts, circumstances and conditions as hereinabove set out, the Commission finds that there does exist an emergency in the production of oil in the State of Oklahoma by reason of which it is necessary to

issue a temporary emergency order closing down each and every well in every common source of supply in the State of Oklahoma for at least a period of fifteen (15) days, to be effective as of August 16, 1939 at 7 o'clock A. M.

O R D E R

IT IS THEREFORE ordered by the Corporation Commission of the State of Oklahoma as follows:

That all oil wells in all of the common sources of supply and in all fields and in all fields and areas both prorated and non-prorated within the State of Oklahoma, be shut down and no oil be allowed to be produced therefrom for a period of fifteen (15) days beginning at 7 o'clock A. M., August 16, 1939.

That this matter be set down for hearing on the 29th day of August, 1939 at 2 o'clock P. M. and due notice as required by law be given thereof for the purpose of determining whether or not this order should continue in force and effect or whether or not some other order, rule or regulation should be promulgated in order to prevent waste and protect the correlative rights pursuant to the laws of the State of Oklahoma.

That all orders, rules and regulations in conflict with this temporary emergency order shall be set aside and held for naught during the period that this order is effective and all other orders, rules and regulations of the Corporation Commission shall remain in full force and effect.

DONE AND PERFORMED this day and year first above written.

CORPORATION COMMISSION OF THE STATE
OF OKLAHOMA

By A. S. J. SHAW
Acting Chairman

RAY O. WEEMS
Commissioner

ATTEST:

CHARLES J. BRILL
Secretary

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

IN THE MATTER OF THE APPLICATION OF MAC Q. WILLIAMSON, THE ATTORNEY GENERAL, W. J. ARMSTRONG, CONSERVATION OFFICER, AND EARL FOSTER, CONSERVATION ATTORNEY, FOR AN EMERGENCY ORDER SHUTTING DOWN ALL THE OIL FIELDS IN THE STATE OF OKLAHOMA.	)	C. D. No. 541

A P P L I C A T I O N

Come now Mac Q. Williamson, Attorney General for the State of Oklahoma, W. J. Armstrong, Conservation Officer, and Earl Foster, Conservation Attorney, and on their own behalf and in the name of the State of Oklahoma and pursuant to the request of the Governor of the State of Oklahoma show to the Corporation Commission, State of Oklahoma, as follows:

That an emergency has arisen in the production of oil in the State of Oklahoma whereby the orders, rules, and regulations of the Corporation Commission fixing the market demand and allowing oil to be produced without waste are insufficient to carry out the purpose and intent of the conservation laws of the State of Oklahoma, and that on account of the conditions that now exist in the State of Oklahoma there is being produced oil in excess of the market demand, that oil is being stored which constitutes waste and there is imminent danger of waste in the production of oil and gas as defined by the laws of this state, that the oil industry is in an unstable and unsound economic condition and the production of oil from the various wells in the State of Oklahoma under present conditions will cause the abandonment of many stripper wells whereby the oil located in such fields will be permanently lost and enormous waste result.

That owing to these and other conditions which are familiar to this Corporation Commission an emergency exists by reason of which the Corporation Commission should issue a temporary emergency order prohibiting the production of oil from any of the wells in all the fields of the State of Oklahoma for a period of fifteen days beginning at 7 o'clock a.m., August 16, 1939.

WHEREFORE, your applicants, the Attorney General, the Conservation Officer, and Conservation Attorney pray that the Corporation Commission immediately issue a temporary emergency order in order that waste might be prevented and the conservation of oil be effected, and that said order be made effective as of 7 o'clock a.m., August 16, 1939, and such other emergency orders, rules, and regulations as to the Commission may seem just and proper.

That this matter be set down for hearing on the 29th day of August 1939 at 2 o'clock p.m., for the purpose of making such other and further orders, rules, and regulations as to the Commission may be just and proper.

MAC. Q. WILLIAMSON
Attorney General for the State of Oklahoma.

W. J. ARMSTRONG
Conservation Officer

EARL FOSTER
Conservation Attorney

REFORD BOND
CHAIRMAN
A. S. J. SHAW
COMMISSIONER
RAY O. WEEMS
COMMISSIONER

CHARLES J. BRILL
SECRETARY

OIL AND GAS CONSERVATION DEPARTMENT
WM. J. ARMSTRONG
CONSERVATION OFFICER
J. J. O'LOUGHLIN
ASS'T CONSERVATION OFFICER
EARL FOSTER
ATTORNEY
H. B. DAVIDSON
CHIEF CLERK

CORPORATION COMMISSION
OF OKLAHOMA

OKLAHOMA CITY

August 26, 1939

IMPORTANT NOTICE

TO ALL PURCHASERS AND PRODUCERS OF
CRUDE OIL IN THE STATE OF OKLAHOMA

Gentlemen:

Enclosed you will find an application to continue the market demand hearing from 2:00 o'clock on Tuesday, August 29th to 2:00 o'clock on Wednesday, August 30th, 1939. You will also find an application continuing the general shut down to the same day because the general shut down was set for hearing on the 29th.

These applications will be granted by the Commission when they are called up for regular hearing on August 29th. Mr. Weems, Mr. Foster and myself are going to Austin to attend the meeting of the Compact Commission and the Railroad Commission of Texas on the 28th of August and that is the reason for asking these continuances.

At 10:00 o'clock a.m., on Wednesday, August 30th there will be a general meeting of all the purchasers and producers in the Commission's court room to discuss the recommendations to be made to the Commission for the market demand for oil for the month of September.

We would like to have full representation and the Commission will be glad to have your full cooperation and advice in this matter.

Yours very truly,

CORPORATION COMMISSION OF OKLAHOMA
REFORD BOND, CHAIRMAN

By Wm. J. Armstrong

WJA:T

Wm. J. Armstrong, Conservation Officer

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

In the Matter of the Application of Mac Q. Williamson, the Attorney General, Wm. J. Armstrong, Conservation Officer, and Earl Foster, Conservation Attorney, for an Emergency Order Shutting Down All the Oil Fields in the State of Oklahoma	CAUSE C. D. No. 541

APPLICATION FOR CONTINUANCE

COME NOW Mac Q. Williamson, Attorney General, Wm. J. Armstrong, Conservation Officer, and Earl Foster, Conservation Attorney, and make application to this Honorable Commission for continuance of a hearing in this cause for the following reasons, to-wit:

1. That heretofore, to-wit, August 15, 1939, application was made to this Commission for an emergency order shutting down all of the oil wells in the State of Oklahoma.

2. That thereafter and on the same day and pursuant to said application an emergency order was issued by this Honorable Commission, being Order No. 13123, shutting down all of the oil wells in the State of Oklahoma for a period of fifteen days from Wednesday, August 16, 1939, at 7 o'clock, A.M., and on the same day notice was given by publication as provided by law that said cause was set for hearing at the State Capitol Building, Oklahoma City, Oklahoma, on the 29th day of August, 1939, at 2 o'clock, P. M.

3. That it now appears that it will be impossible for these applicants to be present at such hearing on August 29 for the reason that other matters have arisen which require their presence at a hearing in another state, and such hearing should be continued to a later date.

WHEREFORE, applicants pray that this cause be continued for hearing until Wednesday, August 30, 1939, at 2 o'clock, P.M.

MAC Q. WILLIAMSON, Attorney General

WM. J. ARMSTRONG, Conservation Officer

EARL FOSTER, Conservation Attorney

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

In the Matter of the Application of Wm. J. Armstrong, Conservation Officer, for Determination of the Market Demand for Oil from the Various Prorated Common Sources of Supply and from the Unprorated Areas in the State of Oklahoma, and Fixing the Amounts That Can Be Produced Without Waste, for the Month of September 1939	)	CAUSE C. D. No. 538

APPLICATION FOR CONTINUANCE

COMES NOW Wm. J. Armstrong, Conservation Officer, and for the purposes of this application alleges and states:

1. That this cause was filed on August 3, 1939, by this applicant filing his application with this Commission, praying that this Commission issue such orders, rules and regulations as may be necessary to determine the market demand for oil in the State of Oklahoma for the month of September 1939, and fix the amount of oil to be produced from each prorated common source of supply and from the unprorated areas without waste.

2. That this Commission issued its order on the 3d day of August, 1939, setting the cause for hearing on the 29th day of August, 1939, at 2 o'clock, P.M., and gave notice of such hearing by publication as required by law.

3. That it now appears that it will be impossible for this applicant to be present at such hearing on August 29, 1939, because of matters pending outside the State of Oklahoma.

WHEREFORE, this applicant prays that this Commission issue its order continuing said hearing from August 29, 1939, at 2 o'clock, P.M., to August 30, 1939, at 2 o'clock, P.M.

WM. J. ARMSTRONG, Conservation Officer
Applicant

BEFORE THE OIL CONSERVATION
COMMISSION OF THE STATE
OF NEW MEXICO

IN THE MATTER OF SUSPENDING PRODUCTION
OF CRUDE OIL IN NEW MEXICO FOR A FIFTEEN-DAY PERIOD.

EMERGENCY ORDER NO. 196

ORDER OF THE COMMISSION

BY THE COMMISSION:

WHEREAS, it appears that the immediate production of crude oil tends to create waste because of the unstable condition of the petroleum industry, an emergency is hereby declared.

IT IS THEREFORE ORDERED that all production of crude oil in New Mexico be suspended for a fifteen-day period beginning with seven o'clock A. M., August 17, 1939, and ending at seven o'clock A. M., September 1, 1939.

OIL CONSERVATION COMMISSION

By John E. Miles
Governor

By A. Andreas
State Geologist.

By Paul Wonderly
Commissioner of Public Lands.

B E F O R E

THE RAILROAD COMMISSION OF TEXAS

OIL AND GAS DIVISION

OIL & GAS DOCKETS NOS. 108, 123, 124, 125, 126, 128, 129, 132 and 146.

IN RE:- CONSERVATION AND PREVENTION OF WASTE OF CRUDE PETROLEUM AND NATURAL GAS IN THE STATE OF TEXAS.

STATEWIDE HEARING HELD IN AUSTIN, TEXAS, AUGUST 28th, 1939.

B-E-F-O-R-E

HON. LON A. SMITH, CHAIRMAN.

HON. ERNEST O. THOMPSON, COMMISSIONER.

HON. JERRY SADLER, COMMISSIONER.

A P P E A R A N C E S

Russell B. Brown, representing Independent Petroleum Association of America, Washington, D. C.

Raymond Buck, Barnsdall Oil Company, Fort Worth, Texas.

Ed P. Byars, representing the Foster Pool, particularly Johnson area in Ector County, also Mallet Land and Cattle Co. in Cochran, Hockley Counties, 115 East 9th St., Ft. Worth, Tex.

C. G. Condra, representing Stanolind Oil & Gas Co., Ft. Worth, Texas.

O. L. Cordell, representing Barnsdall Refining Corporation, Tulsa, Oklahoma.

Ralph O. Dietler, representing Stanolind Oil Purchasing Co., Tulsa, Oklahoma.

S. F. Helmesly, representing Humble Oil & Refining Co., Houston, Texas.

C. C. Herndon, representing Skelly Oil Co., Tulsa, Oklahoma.

A. M. McCorkle, representing Stanolind Oil & Gas Co., Houston, Texas.

R. Van A. Mills, representing Continental Oil Co., Ponca City, Oklahoma.

J. S. Holand, representing Barnsdall Oil Co., Tulsa, Oklahoma.

A. W. Peake, representing Standard Oil Co. (Indiana) Chicago, Illinois.

R. R. Porterfield, representing Devonian Oil Company, Midland, Texas.

F. O. Prior, representing Stanolind Oil & Gas Co., Tulsa, Oklahoma.

George W. Selinger, representing Skelly Oil Co., Tulsa, Oklahoma.

D. R. Snow, representing Barnsdall Oil Co., Tulsa, Oklahoma.

T. A. Warren, representing Houston Oil Co. of Texas, Houston, Texas

---

TRANSCRIPT OF TESTIMONY

CHAIRMAN SMITH. We are now ready to open the hearing according to announcement proclaimed. We are beginning a little late because the hearing was scheduled to take place in one of the hotels and because of our great group of folks today we changed the hearing to the House Chamber.

We want to thank those of our employees, porters and others and reporters for arranging this room for the convenience of the meeting, there is an army of them. They spent the morning in arranging the chairs and we are very grateful for this arrangement to take care of everybody. If you gentlemen in the rear, if you can't find seats, if you will go up in the gallery there is a lot of room up there and you can hear. Of course, we are going to have lookers-on and we are going to have lookers-in. We are taking care of all. The hearing is now open and first we want to present members of the regulatory bodies from other states.

If you gentlemen who are here from the other states, if you will stand and give us your name we will thank you very kindly. Beginning at this table here.

JOHN MILES, of New Mexico.

CHAIRMAN SMITH. Governor Miles of the State of New Mexico.

W. F. HOLLOWAY, from Oklahoma.

CHAIRMAN SMITH. Governor Holloway, from Oklahoma.

HIRAM DOW, from New Mexico.

CHAIRMAN SMITH. Mr. Hiram Dow from New Mexico.

J. E. FARRELL, representing Louisiana.

CHAIRMAN SMITH. J. E. Farrell, representative from the State of Louisiana.

MR. PRYOR, of Michigan.

CHAIRMAN SMITH. Mr. Pryor of Michigan. They call the men in Michigan "Michi-Ganders", I don't know what they call the ladies.

MR. A. F. SCHOEPPEL, of Kansas.

CHAIRMAN. Mr. Schoeppel, come over here. We are not going to present you until you come where we want you. Any members of any regulatory body outside of Texas will come and occupy the seats we have arranged for you here.

MR. RALPH PRIOR, of Kansas,

MR. A. F. SCHOEPPEL, of Kansas.

CHAIRMAN SMITH. A week ago Mr. Schoeppel and I were catching King salmon in Puget Sound.

MR. T. H. MORGAN, of Kansas.

MR. RAY WEEMS of Oklahoma.

CHAIRMAN SMITH. Mr. Ray Weems, he is a member of the regulatory body of the State of Oklahoma.

Anyone now whose names we haven't called. We don't want to omit anybody. How about Mr. Foster from Oklahoma?

MR. W. J. ARMSTRONG, of Oklahoma.

CHAIRMAN SMITH. Also, we would like to have you gentlemen here in a group. Will Armstrong, a pioneer for the conservation of the State of Oklahoma. We would like to see a pioneer. The State of Illinois -- who represents that state? Is Mr. McGee here from the State of Illinois? I understand that he is in the city. He hasn't found his way to the Capitol yet.

The State Geologist, Mr. Andreas, of New Mexico. We want all of you gentlemen from the other states in these seats reserved for you here and we are happy to have you here to take part in this wonderful hearing scheduled for the purpose of learning something about the oil business that we don't know, and to engage in the cooperative program that means much to the salvation of the oil industry of the nation.

COMR. THOMPSON. Mr. Chairman, may I say a word, as Chairman of the Compact Commission; to welcome these visiting Compact Representatives? As Chairman of the Interstate Compact Commission, Mr. Chairman, I wish to welcome the representatives of the sovereign oil producing states who are here represented, being a complete meeting of the Compact, except the state of Colorado. I am happy that Governor Miles and Governor Holloway and Governor Dow and all of you gentlemen have come here from the sovereign oil producing states so that we may discuss with each other the situation before us. As I see it, the question is whether or not we have excessive stocks of gasoline and crude on hand above ground today. May I say, with all solemnity, that we can proceed calmly, and I hope with due deliberation, because there is hanging over the world today a war cloud, which in case war should be declared the question of the supply of oil and gasoline on hand would be solved in a very sad way, but nevertheless it would be solved. God forbid that war should come, but the question of supply is one of vital concern with the war -- vitally connected with the question of whether or not there is war. At the present time the warring nations have stored up, or rather, the nations who are talking about war, and those who have been at war, have stored up quantities of gasoline and crude. Now then, the question is if they actually have war, of course, they will begin to digging into the supplies everywhere.

This shut down was called by the Railroad Commission of Texas and was joined in by the other sister soverign oil producing states for the purpose of letting the excess supplies of crude be worked off. For years we have been hearing that there was too much crude and too much gasoline on hand. Here is inventory time; we are here today to hear from the industy, under sworn testimony, what their crude position is, and what their gasoline stocks position is actually, so that we can look into the future and make plans for the winter to the end that there shall be no unemployment, and to the end that waste shall be prevented in unnecessary above ground storage. Thank you, Mr. Chairman.

CHAIRMAN SMITH. If Mr. Wiess, President of the Humble Oil & Refining Company is in the room, we would like to call him as our first witness. Mr. Wiess. We will announce the calling of these witnesses in advance so that you may be prepared for your time and come to the witness stand. The representative of the Sinclair Oil Co. will be next on the witness stand.

H. C. W I E S S, a witness in said cause being by the Commission first duly sworn, testified as follows:

COMR. THOMPSON. Mr. Chairman, I have prepared some questions which I would like to propound to these witnesses and it is in the form of a questionnaire which has been submitted prior to this time so that the industry could get ready to answer these questions. May I proceed to ask the questions?

CHAIRMAN SMITH. Proceed.

Comr. THOMPSON. Mr. Wiess, what are your present stocks of gasoline in all forms, finished and unfinished, held by the Humble Oil & Refining Company, and if you can, will you at this time also give us the stocks of the Standard Oil Company of New Jersey.

A. The stocks on September 1, 1939, on the data reported by the Bureau of Mines are estimated to be 2,073,684 barrels.

Q. You say the Bureau of Mines?

A. Yes, sir.

Q. I want the Humble Oil and Refining Company estimate.

A. Colonel, that is the Humble Oil & Refining Company on the basis as reported to the Bureau of Mines.

Q. I see.

A. I have available if desired the figures on the basis reported to the Commission. There is a difference in the figures; however, our last report to the Commission in December was on the Bureau of Mines basis.

Q. Then in order that we may be on the same basis, Mr. Weiss, if you will take the same basis that you reported December 15, and on March 15; we are furnishing to those in attendance a little blank peice of paper with those stocks shown as of December 15, and March 15, so the figures you are now giving will be in conformity with those; is that correct?

A. That is my understanding. Is that correct, Mr. Finnegan?

Q. (By Comr Thompson) Then you may proceed on that basis. These are the figures as reported to the Bureau of Mines and as reported to the Railroad Commission of Texas at the hearing December 15, 1938, and conforming to the figures given to the Railroad Commission March 15, 1939, is that correct?

A. Yes, sir.

Q. Proceed.

A. I have read the figures, 2,073,684.barrels. I don't have the Standard of New Jersey figures.

Q. How does it compare with a year ago?

A. This is a decrease of 308,638 barrels from a year ago.

Q. Will you repeat the figure, I didn't catch it.

A. 308,638 barrels.

Q. What has been the change in your gasoline stocks since March 31, 1939?

A. Our stocks have increased, March 31 to September 1, 212,444 barrels.

Q. How much of your present stock of gasoline is needed to fill pipe line and tankers.

A. 15,000 barrels of gasoline are needed to fill pipe lines, but this amount is not included in the stocks reported above. We maintain no stocks in tankers. Our goods are sold F. O. B. the shipper.

Q. What is your present crude oil inventory?

A. Crude Oil stocks August 1, 1939, Humble Oil & Refining Co. and Humble Pipe Line Co., 11,757,481 barrels.

Q. How much of your crude oil stock is required to fill pipe lines and tankers in route?

A. 2,307,708 barrels required to fill pipe lines, 3,320,749 barrels are required for tank bottoms, we estimate, Mr. Commissioner -- I failed to give our estimated stock of September 1 this year, which I shall be glad to give.

Q. If you will do that at this time it will save time, Mr. Weiss.

A. 7,628,529 barrels is our estimated stocks as of September 1.

Q. And then December 1.

A. I would like to add if I may we estimate available stocks which are in condition to be dispatched where needed will be practically exhausted September 1, 1939.

Q. Will you repeat that statement?

A. We estimate that available stocks of crude oil in condition to be dispatched where needed will be practically exhausted on September 1, 1939.

Q. That is day after tomorrow, is that right?

A. Well, something like that.

Q. Day after tomorrow you will be out of stocks available for dispatch, is that correct?

A. Yes, sir, unless our supplies are unexpectedly increased during that interval.

Q. Then will you please give us your estimates of stocks on January 1, I believe you gave that; then on April 1, 1940, that is question 11.

A. Eleven.

Q. What will you expect your crude stocks to be as of January 1, 1940?

A. We don't know. Our desired level of crude working stocks is eleven to twelve million barrels.

Q. At what figure?

A. Eleven to twelve million barrels.

Q. Somewhere between eleven and twelve million barrels. How will you tell me what you desire to have your working stocks to be on April 1, 1940; the economic level, as you view it?

A. I should say between eleven and twelve million barrels would be satisfactory working stocks.

Q. What changes if any, have been made in your crude inventory since March 31, 1939?

A. March 31, 1939 to August 1, '39, decrease of 506,454 barrels to September 1, '39, we estimate the decrease will have been four million, six hundred thirty two thousand and thirty six barrels.

Q. Is the reduction satisfactory?

A. It is not; it is not satisfactory to operate at less than practical working stocks.

Q. Has it been reduced enough?

A. Too much.

Q. Do you have any complaint about excessive stocks of crude and gasoline on hand by the Humble Oil and Refining Company at this time?

A. No, sir.

Q. You think it is about satisfactory at this time?

A. It is unsatisfactory, Mr. Commissioner.

Q. In what way is it unsatisfactory, Mr. Wiess?

A. Well, it is very difficult to conduct our business with inadequate stocks.

Q. Are you then a wee bit short?

A. Well, we are not exactly long.

Q. Then seriously, Mr. Wiess, are you a wee bit short?

A. Yes, sir, certainly we are short of oil.

Q. What is to be your policy with regard to inventories from now until December 1, 1939?

A. We would gladly build crude inventories back to desirable working stocks as the opportunity was provided.

Q. What practice does your company consider, and how does it determine the price it will pay for crude oil?

A. Our company is but one of many companies engaged in the purchase and sale of crude oil. The prices it will pay over a long period are determined by the forces of supply and demand, and in the end results from the interplay of the forces entering into competition. To attempt a complete answer to this question would require an economic treatise.

Q. Do you have that economic treatise available?

A. No, sir.

Q. Is that your answer to the question?

A. Yes, sir.

Q. Do you have anything to add to that answer?

A. No, sir.

Q. Then you have given us all the factors that enter into what your company considers in determining the price they pay for crude oil?

A. Mr. Commissioner, I hardly dare talk about crude oil prices to myself.

Q. You are perfectly free to talk to this regulatory body because under the statute, the conservation statute under which we operate, Section 6-A, it says that the Commission in regulating supply of crude or production of crude to market demand, we must consider the consumers of gasoline and lubricating oil, so you may feel free to speak here, nobody is going to arrest you for telling us how you fix the price.

Will you proceed?

A. Mr. Commissioner, I recently issued, our company has recently issued a statement with regard to crude oil prices, which was published in the newspapers of Texas, which goes about as fully into that subject as we feel free to go. I would be pleased to file a copy of that statement with the Commission if you desire.

Q. Will you at this time read it into the record; we don't have it in the record; if you will read it at this time that will get into the transcript.

A. Do you desire that I read it?

Q. We wish you to read it, yes, sir, because we wish to discuss it in detail.

A. This statement I read is the advertisement that appeared in the newspapers, the heading:

"WHY THE HUMBLE OIL AND REFINING COMPANY REDUCED THE PRICE OF CRUDE OIL."

Underneath (parenthetical remark)

"A statement published by the Humble Oil and Refining Company in the form of a paid advertisement in the daily newspapers of the state. Since it was released after the Lubricator (one of our newspapers) went to press, it is printed here as a supplement to this issue."

We said in the statement for the newspapers which was offered for those who were interested and were not adequately informed as to the facts, as follows: It is dated August 17, 1939, and it reads:

"On August 11th the Humble Oil & Refining Company posted reductions in the prices at which it purchased crude oil in Texas and New Mexico by amounts ranging from five cents to thirty-two cents per barrel, and averaging 18.5¢ per barrel. In view of the fact that this action on our part has been severely criticized before the public, we outline below the facts and reasons on which it was based.

"1. On August 1 the quantities of crude oil listed below and aggregating 218,920 barrels daily in Texas Louisiana and Arkansas were moving to market at prices substantially below the Humble's postings for similar crude."

Then I itemize it by areas.

Q. Will you read it by areas and itemize it as you have in the statement?

A. West Central Texas 37,000; Gulf Coast 22,600 barrels, Southwest Texas 16,900 barrels, East Central Texas 12,800 barrels, East Texas Field 6850 barrels, Panhandle 1500 barrels, total for Texas 97,650

barrels. South Louisiana 81,920 barrels, North Louisiana and Arkansas 39,350 barrels; total 218,920 barrels.

Q. Will you at that point, Mr. Weiss tell us what company was offering this unwanted crude?

A. Mr. Commissioner, my detailed estimates are from reports which we have prepared and have been preparing for a year or more weekly and compiling monthly from information gathered as best it was possible by our organization, including our scout organization. I have a detail of these figures, but I hesitated in presenting them in this -- to this assembly. We would be happy to cooperate in any way that we could with the Commission in conducting its own survey.

Q. We are here conducting one. Will you read the figures of the companies that are offering this unwanted crude at this time?

A. I have stated that my estimates are merely the best that it was possible for us to compile. I am reluctant to present here further details. I would prefer that the Commission not insist upon that.

Q. This is the one place that the Commission has to get the figures. Will you give us the details the best you can, and in the way in which you got them?

MR. HINES BAKER. Mr. Chairman, I don't believe that is a proper subject for inquiry in this conservation hearing. It seems to me that the power of the Commission relates to the matter of prevention of physical waste under the statute, and what information any given purchaser of crude may have as to existing markets is not a proper matter for inquiry.

COMR. THOMPSON. Before you rule, Mr. Chairman, may I state that through the years we have been told by witness after witness, countless hundreds of them, particularly from the major companies, that we were allowing to be produced too much crude oil. Here is the first definite information we have had on where too much was being produced and who was doing it, and therefore it is pertinent to the issue, Mr. Chairman, that we know where this unneeded and unwanted crude is coming from.

MR. BAKER. Mr. Chairman, there is a good deal of difference between the quantity of crude and the prices the different companies are paying; those are two issues entirely different and distinct.

COMR. THOMPSON. What I am seeking to do, Mr. Chairman, is to make it possible for this Commission to see where unneeded and unwanted crude is being produced, so that we may proceed in an orderly fashion to limit production to the point where we will not have unwanted and unneeded

storage above ground wasting away. We are here to prevent physical waste. Here is a witness that tells us that he knows or has found out about the best way he can where unwanted and unneeded crude is being produced. We have here a chance to find out where the unwanted and unneeded crude is coming from.

MR. BAKER. Mr. Chairman, that seems to be a question of definition. This witness hasn't said anything about unwanted crude. He has simply stated at what price the crude is moving.

COMR. THOMPSON. Here we have, Mr. Chairman, the biggest crude buyer in the world. The Humble Oil and Refining Company buys more crude than anybody in the world, and the best way they have of indicating unwanted crude is through the method of posting the price. He says that it is unwanted and unneeded because it is moving into the market at prices lower than they figured were fair and reasonable prices, and it is the only evidence the Commission can find out where this unwanted crude is coming from.

CHAIRMAN SMITH. Any further discussion? The Chairman is going to rule that the witness does not have to divulge this information unless he cares to. If it would be worth anything to our records we would be glad to have it. We believe that the witness is trying to be fair in his testimony.

Q. (Comr. Thompson) Would your company purchase crude oil for storage under any conditions, and if so, how much, and under what conditions?

A. Our company does not desire to purchase crude oil at any time in excess of the amounts reasonably required to carry on its business. In order to serve the properties to which we are connected, and from which we buy crude, we would under certain circumstances purchase oil in excess of our requirements and thus accumulate storage in some reasonable amount. Except for this, we would at all times seek to hold our inventories at the levels above stated.

Q. Those levels at this time would be how much increase over what you now have? How many barrels would you need to bring them up to your economic levels now?

A. As of September 1, about four million barrels.

Q. You are short about four million at this time, is that correct?

A. Yes, sir.

Q. Does your company favor the enactment and enforcement of laws to promote the conservation of oil and gas in all oil producing states?

A. Yes, sir.

Q. In the interest of conservation, does your company favor there being an outlet provided for the full production of all stripper wells before any oil is purchased from flush fields, and will your company cooperate in accomplishing such objective?

A. We would not favor full production of all stripper wells before any oil is purchased from flush fields. We think that the allocation between fields should be on a fair and equitable basis considering primarily the reserves, volume that can be produced without waste and the actual conditions of demand. There may be occasions when special treatment of small wells is required in order to prevent their premature abandonment.

Q. Well, in case a certain amount of oil is allocated to a particular field, Mr. Weiss, and then we give to each stripper well the amount that it takes for that well to keep going, which is generally below the marginal well amount, and then if we should give to each well in the field an equal amount, would you then be in favor of our prorating the balance of the flush wells?

A. I can not interpret the conditions described sufficiently to answer that question specifically. My general answer made, that there would be occasions when special treatment for small wells is required in order to prevent their premature abandonment, is my answer. That is a matter to be decided in each case, based on the facts in the particular case.

Q. You are in favor, are you not, of conserving stripper wells?

A. I am in favor of conserving any well which has an economic value.

Q. Will you define economic value of an oil well?

A. Well, I think the history of our operations in Texasthrough the years is the answer to that.

Q. Would it be uneconomic when the amount realized from the production from that well would not be sufficient in dollars to keep the well going, would that be an uneconomic well?

A. If the -- ordinarly, that would hold, I would say.

Q. Then if the production of a particular well was three barrels per day, and we have thousands of them in Texas which have less than three barrels per day, and then the price of oil was produced to a point where the price of a barrel of oil multiplied by three would not be sufficient in an amount in dollars to keep that well in operation, would you be in favor then of closing and plugging that well and abandoning it?

A. Mr. Chairman, all operators must decide those questions for themselves as they meet them. I personally am operating some wells which I have owned for thirty years which make less than three barrels.

Q. That question you say is for each operator himself to decide, is that the answer?

A. When the time comes for abandoning them.

Q. Do you think the state has any interest in conserving these stripper wells in order that the greatest ultimate recovery may be had, keeping in mind the fact that that is the backbone of our production in America?

A. I don't understand it is the backbone of our production in America. I have every consideration, every conceivable consideration for the small well, and it is my opinion that special consideration, as stated in answer to the question, that special consideration should be given where necessary to avoid premature abandonment.

Q. Do you think the State has an interest in seeing that these wells are kept in production as long as they can produce oil?

A. As long as they have economic value I think so.

Q. Does your company favor the allocation of the balance of each state's allowable equitably among the prorated fields of each state, and will your company cooperate in seeing that the oil is purchased as allocated, and thus eliminate selective buying?

A. We would favor the allocating of all production in each state's production equitably among the prorated fields of such state, and will cooperate in the purchase of oil from the areas served by us on a fair basis of allocation. We are willing to share our markets on an equitable, fair basis between the fields which we serve and are not disposed to buy production in fields where we produce alone to the exclusion of oil from other areas served by us. We have followed this policy since prior to the initiation of the proration program.

Q. There is a magazine published in the petroleum world, called the "World's Petroleum," and in the issue of August, 1939, that is the current issue, on page 40, it gives a list of "five year financial review of United States oil companies," down about the middle of the page under the heading of Humble Oil & Refining Company, for the year 1937 it says "net income, $46,924,001.00, per share of common 5.22 and net working capital $8,245,084,00" Is that an error, Mr. Weiss? It surely must be an error, eight million working capital, making $46,924,000. Is that an error?

A. We have more than eight million dollars tied up in our depleted crude stocks, Mr. Chairman.

Q. It says not working capital, is that an error?

A. I have not seen the figures and I am not familiar with them.

Q. I will pass it to you so you can look it over.

MR. BAKER. Mr. Chairman, it looks to me like it is going pretty far afield -- I don't quite see the purpose of that in a proration hearing; it seems it is going pretty far afield into the private business of an independent company.

COMR. THOMPSON. Here is a business that has the strong arm of the State thrown around it, giving it all of the protection in the world, and I believe that the state is entitled to have such information as would be pertinent, and here is an industry that has come in and asked the state to help it more than any other industry. I think a full disclosure of the facts should be forthcoming from the industry itself.

MR. BAKER. The State is undertaking, as I understand it, by the conservation laws of the State to preserve the natural resources and prevent them from waste. I fail to see the pertinence in this hearing of the private returns of the various producers of oil in the State. I can't see that that is pertinent and has anything to do with this issue. If it is the business of the Commission to ask each one of the operators present here about his financial statement, then there might be some more logical excuse than to take one company and begin to inquire into its financial affairs, it is not pertinent to any question that can legally be brought before the Commission.

COMR. THOMPSON. How do you know that we are not going to ask all of them; ask them all this question? Would the same objection lie then?

MR. BAKER. We object to the entire line of interrogatories.

Q. (Comr. Thompson) You don't want your company to tell us, or any of the rest of them to tell us whether there has been an error made.

MR BAKER. We don't care to have the question of our financial reports, or financial standing examined here before the Railroad Commission.

COMR. THOMPSON. You don't care to have the question of your financial reports examined or questioned about there here before the Commission, is that right?

MR. BAKER. I think that is right; I don't think it is a proper subject for inquiry, it is not material to any issue that may be

before the Commission in this hearing.

CHAIRMAN SMITH. I am sure that everyone here understands that we are here for the purpose of finding out the most about physical waste, for the prevention of physical waste. However, if there is a mistake made in the statement made in this periodical here the witness here to discuss the question of whether or not it is a mistake, we will be glad to hear you, Mr. Weiss.

A. Mr. Chairman, I do not understand the figures. I am unable to say whether it is properly expressed or not. I don't know what our net working capital was as defined by the accountants that made this statement, or 1937.

COMR. THOMPSON. Is the profit figure correct, is that a mistake?

A. As I recall it, that is approximately correct.

Q. What is that figure, Mr. Weiss?

A. Forty-six million dollars.

Q. What year was that?

A. 1937.

COMR. THOMPSON. That is all I wanted to know. That is all of the questions I have.

CHAIRMAN SMITH. Any further questions of this witness by anybody on cross examination or direct either. If not, you are excused, Mr. Weiss.

(Witness excused)

CHAIRMAN SMITH. Is the Sinclair here ready to be represented by some witness? Will the witness of the Sinclair Oil Company come around to the witness stand, please.

GEORGE H. TABER, JR., a witness in said cause, being by the Commission first duly sworn, testified as follows:

QUESTIONS BY COMR. THOMPSON.

Q. Will you state your name, please?

A. George H. Taber, Jr.

Q. Do you represent the Sinclair Oil Company?

A. I represent the Sinclair Refining Company.

Q. Sinclair Refining Company? What are your present stocks in gasoline in all forms, finished and unfinished?

A. As of 7 A. M., August 18, there were 2,524,656 barrels.

Q. Will you repeat that, please, sir?

The question was, what are your present stocks of gasoline in all forms finished and unfinished?

A. On the Bureau of Mines basis as of 7 A. M. August 18, 1939, there were 2,524,656 barrels.

Q. How does this compare with a year ago?

A. A decrease of 251,946 barrels.

Q. What has been the change in the gasoline stocks since March 31, 1939?

A. A decrease of 1,098,574 barrels.

Q. How much of your present stock of gasoline is needed to fill pipe lines and tankers?

A. The amount required to fill pipe lines and tankers is 565,000 barrels. I am not sure, however, that that is the information you want.

Q. What I wanted was the actual available stocks, considering the stocks in pipe lines and tankers as not immediately available.

A. We consider that it takes a million and three-quarters barrels as the least that we could do business on.

Q. The least amount is how much?

A. A million and three quarter barrels.

Q. How much do you have on hand?

A. 2,525,000 as of August 18.

Q. How much do you use per day?

A. On an average of about 100,000 barrels a day.

Q. Will you subtract the amount you need to do business with from that amount that you need -- subtract that from what you have got and divide it by the number of days -- days' supply?

A. You want to know the current stock of supplies?

Q. Yes, sir.

A. That would be somewhere in the neighborhood of eight or nine days.

Q. You have got about eight or nine days' supply of gasoline on hand? What is your present crude inventory?

A. Mr. Moody of our company is here and will answer that question on that crude, I am not familiar with that.

Q. What are the proper economic levels of gasoline stocks and crude oil stocks above ground as of October 1, 1939, January 1, 1940, and April 1, 1940, for your company, according to your best judgment, and do these

include oil that goes to fill pipe lines and tank bottoms?

A. I could only answer that as to gasoline stocks, and I am afraid that I can't answer that with any degree of accuracy under the present conditions; we have no definite idea as to what our gasoline stocks should be on any of those dates, or what they will be.

Q. What do you expect your gasoline inventory to be on December 1, 1939? That is question number ten.

A. The question is a little hard to answer under the present basis.

Q. I mean, if you could fix it the way you like it as a good business, to supply it without any hindrance on the part of the regulatory; our idea is to have everything to make gasoline cheap, not crude high?

A. My best guess as to what our gasoline stocks would be?

Q. Adequate stocks so that you would have plenty to make gasoline cheap? How much would you have to have on hand?

A. I can not answer that.

Q. You can not?

A. No.

Q. Is that new to your experience?

A. I can tell you what I expect our stocks to be, and I can tell you what I consider to be normal working stocks at that time of the year.

Q. What would be the normal working stocks?

A. About 2,700,000 barrels.

Q. What were your stocks last December 31, 1938?

Question number nine.

A. 2,504,700 barrels.

Q. You see what the public is interested in and the only reason in the world that the general public will agree to these strong regulatory measures and the great power given to conservation bodies is that the greatest amount of oil can be produced from the sand to the end that gasoline may be made plentiful and a steady supply, so that gasoline may be made cheap to the consumer, that is the purpose of all of this work, otherwise the public would not be interested at all in the regulation and conservation unless they can get cheap gasoline, that is what we are after, to make gasoline cheap for the people. Do you know what would be your policy with regard to inventories from now to December 1, 1939?

A. Are you speaking now of gasoline inventories?

Q. Yes.

A. We expect our gasoline inventory on December 1, 1939 to be about 1,827,000 barrels.

Q. How much do you think you should have on hand April 1, 1940, at the opening of the consuming season next year?

A. If we were to run our refineries so as to meet our sales requirements, and at a uniform rate over the year, we should have about 4,800,000 on March 31st.

Q. 4,800,000 barrels on March 31?

A. We don't anticipate having that much.

Q. Why do you not anticipate having that much?

A. Because we are some five or six hundred thousand barrels below our normal stock level at the present time.

Q. Will you repeat that and speak a little louder. I couldn't hear it.

A. I say, as we see conditions now we will be some five hundred thousand barrels below our normal stock level in December?

Q. Unless you get plenty of crude between now and then?

A. That I do not know.

Q. Are your facilities such that if crude were offered you could make up this shortage that you are now anticipating?

A. No.

Q. Your facilities are not such that you could do it?

A. No.

Q. Then it is not the fault of the regulatory body, is it?

A. Not necessarily.

Q. How about the "necessarily"; is it the fault of the Commission? If we give you all the crude that you could run through your plant could you not then have all the crude you needed by April 1st?

A. We have during the past year carried gasoline stocks as low as we possibly could, and as a result of that they are now too low.

Q. Could you have had them higher if you had wanted to?

A. Yes, we could have.

Q. Is that the fault of the regulatory body that they are not higher; I mean if you had had the crude?

A. We had plenty of crude last spring.

Q. You have had plenty of crude?

A. Yes, sir.

Q. You have no complaint about the shortage of crude oil?

A. No.

Q. Does your company favor the enactment and enforcement of laws to promote the conservation of oil and gas in all oil producing states?

A. I think I had better let Mr. Moody answer that; I am not familiar

with our company's crude policy.

Q. In the interest of conservation does your company favor there being an outlet provided for the full production of all stripper wells before any oil is purchased from flush fields, and will your company cooperate in accomplishing such an objective?

A. Again, I suggest that you refer that to Mr. Moody.

Q. Does your company favor the allocation of the balance of the State's allowables equitably among the prorated fields of each state, and will your company cooperate in seeing that the oil is purchased as allocated and thus eliminate selective buying?

A. I again refer that to Mr. Moody.

COMR. THOMPSON. That is all the questions I have. Are you a financial man?

A. I am not.

Q. If I asked you the same question that I asked Mr. Wiess, is there is any mistake made in this report, the Consolidated Oil Company is here shown -- well, it is not shown; yes, here it is on page 40 of the current issue of World's Petroleum under the heading "Five Year Financial Review of United States Oil Companies," and it shows that for the year 1937 with a working capital of $78,130,681.00 Consolidated Oil Corporation's net income was $20,809,295.00, would you know whether that was an error or not?

A. I don't know. Our annual statement as published and is a matter of record. I don't know the profits as to any particular year.

COMR. THOMPSON. I have no further questions, Mr. Chairman.

CHAIRMAN SMITH. If there are no further questions this witness is excused.

We will call Mr. Moody to the stand.

(Witness Excused)

H.K. M O O D Y, a witness in said cause, being by the Commission first duly sworn, testified as follows:

QUESTIONS BY COMMISSIONER THOMPSON.

Q. You represent the Consolidated Oil Corporation or Sinclair Consolidated?

A. I represent the Sinclair-Prairie Marketing Company, of which I am president.

Q. Mr. Moody, what if your present crude oil inventory?

A. On August 1, 1939 it was 15,200,000 barrels.

Q. How much of your crude oil stocks are needed to fill pipe lines and

tankers in route, and how much is your tank bottoms; in short, how much crude oil does your company have that is immediately available in tanks and in condition to be dispatched where needed?

A. The oil necessary to fill the pipe lines and tank bottoms, and ordinary refinery working stocks and tank steamers is 6,300,000, leaving available a balance of 8,900,000 barrels.

Q. What are your daily crude requirements, Mr. Moody?

A. At this time about 160,000 barrels a day.

Q. You have an adequate supply on hand, do you?

A. For the present, yes.

Q. What were your crude stocks on December 1, 1938?

A. 17,900,000 barrels.

Q. What do you expect your crude inventory to be as of December 1, 1939?

A. There are so many factors involved in that over which we have no control that I have been unable to estimate what they will be on December 1, 1939.

Q. If you could have them as you wished what would they be?

A. About as they are now.

Q. What would be your policy with regard to inventories from now until the end of the year, if you had your own way?

A. Our policy would be to draw as little out of storage as possible, as our requirements would permit.

Q. Do you mean by that that you now have about what you would like to keep in storage?

A. Yes.

Q. Do you need about what you have got now?

A. Approximately, yes.

Q. Then you don't want to draw it down any further, do you?

A. We would prefer not to.

Q. You would prefer to keep in storage as much as you have got?

A. About that amount, yes.

Q. What factor does your company, Mr. Moody, and how does it determine the price that it will pay for crude oil?

A. Our company desires to pay the highest prices for crude oil that it can pay consistent with the prices that we are able to get for the refined products in the competitive market.

Q. How much can you pay for crude with the average gasoline, regular,

selling for 18¢ a gallon?

A.. I can't answer that question, Colonel.

Q. Do you know whether or not your company reduced the price of gasoline yesterday a cent a gallon in Waco, Texas?

A. No, I do not.

Q. I saw a sign of 17¢ on filling stations there yesterday in Waco. Would that indicate it had been cut a cent? It had a new paper posted over the sign, with 17¢.

A. I don't know what the gasoline price is in Waco, or was.

Q. Let me look and see. We had a state-wide survey made on Saturday to see what the price was, and what the prices are. I have got it here. Anybody find Waco in there. Waco, regular 17 and 18. Would your company purchase crude oil for storage under any conditions and if so, how much, and under what conditions, Mr. Moody?

A. Well, there are so many factors involved in that question. Our company has not fixed any policy in that regard that would enable me to answer the question.

Q. Is there in fact any relationship between the price of gasoline at the pump and the price paid for crude?

A. I am unable to answer that question.

Q. How long have you been in the oil business, Mr. Moody?

A. Well, this is a confession for me. It will be forty years this fall.

Q. Do you -- in the face of forty years' experience in the oil business, do you state you can not answer the question whether there is any relation between the price of gasoline at the pump and the price of crude?

A. Undoubtedly, there is some relation.

Q. Have you been able to find it in forty years' experience?

A. No, I have not.

COMR. THOMPSON. That is all the questions I have to ask.

CHAIRMAN SMITH. Any fyrther questions of this witness? Our "mike" does not operate. I have got to use the volume of my lungs to talk. You are excused, Mr. Moody.

(W i t n e s s E x c u s e d)

CHAIRMAN SMITH. Will the Magnolia Company have its representative come to the witness stand to testify in this proceeding?

R. H. C H A N, a witness in said cause, being by the Commission first duly sworn, testified as follows:

QUESTIONS BY COMR. THOMPSON.

Q. Will you state your name?

A. R. H. Chan, Comptroller, Magnolia Petroleum Company.

Q. What are the present stocks of gasoline in all forms, finished and unfinished held by the Magnolia and the Socony-Vacuum, too, if you have them?

A. I don't have the Socony-Vacuum, I have the Magnolia figures.

Q. Give them too.

A. As of August 1 under the Bureau of Mines Figures they were 871,000 barrels.

Q. What were your stocks of gasoline as of December 31, 1938?

A. 690,000 barrels.

Q. What do you expect your gasoline inventory to be on December 1, 1939?

A. 700,000 barrels.

Q. What change, if any, has been made in your gasoline stocks since March 31, 1939?

A. They have increased 166,000 barrels.

Q. How does your present stock figure compare with the same figure of a year ago?

A. There has been a decrease of 730,000 barrels.

Q. How much of your present stock of gasoline does it take to fill pipe lines and tankers?

A. 9,000 to fill pipe lines, we have no tankers.

Q. How do you get your gasoline to the East?

A. We ship it up in others' ships.

Q. Whose ships?

A. Other companies, especially Socony-Vacuum.

Q. Do you know how much it takes to fill their tankers regularly?

A. No, there is a Socony-Vacuum man here, he may be able to give you that information.

Q. What is his name?

A. Mr. McIntosh.

Q. What is your present crude oil inventory?

A. 19,298,000 barrels.

Q. How much of your crude oil stocks are needed to fill pipe lines and tankers in route, and tank bottoms; in short, how much crude oil does

your company have immediately available in tanks in condition to be dispatched where needed.

A. In short, our available stocks are 10,872,000 barrels.

Q. What change, if any, has there been in your crude inventory since March 31, 1939?

A. They have decreased 551,000 barrels.

Q. What are the proper economic levels of gasoline stocks and crude oil stocks above ground at October 1, 1939, January 1, 1940, and April 1, 1940? Do these figures include the oil that goes to fill pipe lines and tank bottoms?

A. We estimate that the proper economic levels of gasoline stocks on October 1, 1939 to be 800,000 barrels, January 1, 1940, 1,200 ,000 barrels, April 1, 1940, 2,000,000 barrels. Our economic levels of crude oil we believe to be 16,000,000 barrels.

Q. How does that compare with the present inventory on crude and gasoline?

A. We are short on gasoline; on August 1 we had 871,000 barrels of gasoline. we estimate that on the first of January we should have 1,200,000 barrels, and we don't believe we will be able to increase our stocks by that time to that extent.

Q. Did I hear you say you are short?

A. Yes, sir. In crude oil we have an inventory at the present time of about 19,000,000 barrels. As I stated previously, that was August 1. We expect on September 1, as a result of this shut-down, our inventory will have been reduced about a million and a half barrels to about 17,500,000 barrels.

Q. Do you consider that your stocks are reduced as low as they should go?

A. We feel that our proper level of crude stock is about 16,000,000 barrels so that I would say as of September 1 our crude stocks should go about a million and a half lower.

Q. Go about a million and a half lower?

A. Yes, sir.

Q. In order to have it at the proper economic level?

A. That is right.

Q. If we wanted to keep gasoline cheap, you are in about the right position now, are you, not make it scarce, but make it plentiful?

A. I am not thinking about the stocks necessary for our operations and the amount necessary to supply our trade.

Q. What were your crude stocks as of December 1, 1938, what were they?

A. 23,000,000 barrels.

Q. What do you expect your crude inventory to be as of December 31, 1939?

A. Well, provided the production is allowed in September and October and November at the same rate as it was before the shut-down we don't believe that there will be any material change in our stocks at all between September 1 and December 1.

Q. And if production is carried on like it was before the shut-down you would find yourself in a better condition with regard to plenty of stocks of crude and gasoline on hand?

A. We would have sufficient crude on hand, but would be short in gasoline on December 1.

Q. What factors does your company consider, and how does it determine the price it will pay for crude oil?

A. We believe the price of crude oil should be high enough to return the producer a fair margin of profit commensurate with the hazards of the business. The price shouldn't be such as to delay the loss and abandonment of small marginal wells, and on the other hand, compensate the producer for flush wells for that restrained production which engineering practice shows yields a far greater ultimate output than the former wide open practice. At the same time, the price should not be at a level which would penalize the consumers of petroleum products. Regardless of our views of the proper price of crude oil, the fact remains that for several years the price we have paid for crude has been determined by competitive conditions.

Q. Will you name what competitors set the price of crude? The competitive conditions that you speak of, who is your leader, who do you follow?

A. There are different leaders in different fields.

Q. Name one field and one leader, say the New York area.

A. There are several companies posting the price of crude, and you know them as well as I do.

Q. I don't know anything, I am just trying to find out.

A. The Texas and the Humble --

Q. Just tell us what you know, one field where somebody sets the lead for you, or where you lead; tell us how it happens, say, in west Texas, do you set the price?

A. There is a market posted by various companies, as you know, Mr. Commissioner, and we usually post the same price as posted by the other companies. They don't have to be the leader necessarily if we feel that

price is a correct one. We do not always follow. As you know, we have not yet reduced the price of crude.

Q. You have not yet reduced the price of crude?

A. We have not yet, no.

Q. Does that mean that you consider the amount of gasoline and crude on hand is such that would justify the price you were formerly paying?

A. At that time.

Q. Has it changed since the shut down?

A. We hardly know what to say now, we don't know.

Q. What factors does your company consider, and how does it determine the price at which it sells refined products?

A. There again, we believe that refined products should have a price set on them that would cover the cost of raw materials, the processing and the distribution of the products. No company, Mr. Commissioner, is strong enough to set and maintain a price for its porduction if that price is higher than general competitive prices. Therefore, the price for the refined product is that price that can be obtained in a free and competitive market.

Q. You have previously told us that you believed the stripper wells should be saved by a long treatise on economics which I think is very well presented. You said that there should be a condition as would keep the stripper wells going and still the flush wells should be regulated?

A. We said that we feel the price should be such as to delay the abandonment and loss of the small marginal wells, and at the same time compensate the producers for the flush wells for the restrained production, or the limited production that he must suffer from in order to get a larger ultimate output.

Q. Following that thought through, is it your thought that the price of gasoline should be a price upon that basis, and then add cost of refining and add cost of transportation , and wholesale and retail profit?

A. That is the idea I have, Mr. Commissioner. Of course, I think that everyone in the business would say that that is the ultimate desire.

Q. When crude goes down should not gasoline follow?

A. Not necessarily; there are a lot of other factors that enter into the price of gasoline.

Q. Name one of them.

A. There are a lot of other products recovered from crude oil.

Q. There are a lot of other products recoved from crude besides the

gasoline?

A. Yes, sir.

Q. Name them.

A. The principal one is fuel oil. If the market is very low for fuel oil you have to figure on getting a little more for gasoline in order to pay for your crude.

Q. Would you say that there should be a relation between the price of crude and the price of gasoline?

A. I would say normally that there should be, I don't know that that is always possible.

Q. Would your company purchase crude oil for storage under any conditions, and if so, how much, and under what conditions?

A. It is our company's policy not to engage in speculative or forward buying of inventory, crude or finished, but to maintain in storage only the stocks needed for the orderly conduct of our business.

Q. If you had a condition where the current needs, say for any quarter, could be met by current production, would that be the ideal working of proration, generally speaking.

A. You are getting a little over my head now, Mr. Commissioner.

Q. I mean, if there should come about a condition where the needed crude for the next quarter could be produced in the preceding quarter would proration then not for the first time really begin to function, where current requirements are met by current production? I mean, over a period of three to six months?

A. If we could get our needs out of current production, I would say that Magnolia would be satisfied.

Q. If you could get your needs out of the current production the Magnolia would be satisfied? Is that your answer?

A. Yes, sir, with the reservation that our stocks are today a little bit higher than what we need for a proper economic level.

Q. You want to work your stocks down a little bit before you reach that ideal?

A. We won't have to work very hard to do that.

Q. Why not?

A. They are down now a million and a half barrels the first of the month.

Q. Am I wrong when I state that the stocks of crude are at a low for ten or fifteen years at this time?

A. Subject to correction by the statistician who prepared the figures,

I think you are correct.

Q. And am I wrong when I say that we are now having consumption at an all-time peak?

A. It is my opinion that you are correct. However, that is subject to correction also.

Q. Does your company favor the enactment and enforcement of laws to promote the conservation of oil and gas in all oil producing states?

A. Yes, sir; you mean state laws?

Q. State laws, yes, sir.

A. Yes, sir.

Q. By that you mean you are against Federal Control?

A. Yes, sir.

Q. I didn't throw it in, you threw it in; I congratulate you. In the interest of conservation does your company favor there being an outlet provided for the full production of all stripper wells before any oil is produced from flush fields, and will your company cooperate in accomplishing such an objective?

A. Yes, provided each field is placed on its own and provided a reasonable definition of stripper wells can be agreed upon.

Q. Will you suggest a definition of a stripper well?

A. I am hardly an expert but I believe --

Q. Generally speaking.

A. I don't believe -- we don't believe, rather, that every pumping well is a stripper well. If a well is in such a condition that it makes only a few barrels a day and it needs that production to maintain its life, I believe that that production should be allowed.

Q. If a well that is producing only two barrels a day, and the life of that well depends upon that amount being produced, you believe that it should come out of the ground?

A. Yes, sir.

Q. Do I understand by that that you believe that we should preserve every barrel of oil that we can get that comes out of the ground in the interest of the general public?

A. I believe that is the function of the Railroad Commission, isn't it, Mr. Commissioner?

Q. That is the way I interpret the law, and I am glad that you agree. Does your company favor the allocation of the balance of each state's

allowable equitably among the prorated fields of each state, and will your company cooperate in seeing that the oil is purchased as allocated and thus eliminate selective buying?

A. Assuming that the allocating of the allowable equitably among prorated fields would take into consideration the quality of the crude and the market demand, we will be willing to cooperate in fields that are available to us as a source of supply.

Q. Are you familiar with the magazine called the World's Petroleum?

A. Yes, sir.

Q. I have before me the issue of August 30th, which has under the heading "Five Year Financial Review of United States Oil Companies," and I see in them here Socony-Vacuum, is that your company?

A. It is the parent company.

Q. Parent company, what do you mean by the parent company?

A. They own the capital stock of the Magnolia Petroleum Company.

Q. Socony-Vacuum Company owns the capital stock in the Magnolia?

A. That is right.

Q. It says here under Socony-Vacuum Oil Company for the year 1937 that you had a net working capital of $223,326,989.00 and that your net income was $56,806,268, 00, is that incorrect?

A. Well, I am not that good at figures to remember from 1937 to now, Mr. Commissioner.

Q. Is that about what they made in 1937?

A. It is my impression that that figure of fifty six million is correct, but I am under oath --

COM. THOMPSON. That is all of the questions that I have to ask the witness.

CHAIRMAN SMITH. Any further questions of the witness?

If not, he is excused. We are going to have a short recess.

(Thereupon a short recess was had)

CHAIRMAN SMITH. Will you get seats, gentlemen so we can proceed?

Colonel, We are waiting on you.

COM. THOMPSON. All right, you won't have to wait long.

CHAIRMAN SMITH. Will the witness for the Pure Oil Company come to the witness stand, please?

MR. RAYBOURNE THOMPSON. Mr. Chairman, Mr. Westcoat, Vice President of the Pure expected to be here, but due to matters that came up at the last minute he was unable to leave. He informs me that he has forwarded the questionnaire answers. I don't have it with me, but I will be glad to present that to you and Mr. Westcoat will be glad to appear here at any other time the Commission might desire.

CHAIRMAN SMITH. We will call the representative of the Texas Company who is to testify in this investigation.

J. S. L E A C H, a witness in said cause, being by the Commission first duly sworn, testified as follows:

CHAIRMAN SMITH. If any attorney wishes to ask questions of any witness on cross examination or direct they are going to be required to come around to the microphone and ask the questions so that the people in the audience may hear the questions that are propounded.

COMR. THOMPSON. Mr. Leach, you are testifying for the Texas Company?

Q. (BY COMR. THOMPSON) What is the condition of all current stocks in all forms, finished and unfinished as of today, of your company?

A. As of August 1, 6,583,787 barrels.

Q. How does that compare with a year ago?

A. A decrease of 557,199 barrels.

Q. What has been the change in your gasoline stocks since March 31, 1939?

A. A decrease of 1,331,961 barrels.

Q. How much of your present gasoline stocks is needed to fill pipe lines and tankers?

A. Gasoline stocks required at refineries, in transit and seasonal stocks for terminals, 3,112,000 barrels.

Q. What do you expect your gasoline stocks to be as of December 1, 1938; that is question nine.

A. You mean what were they December 1,1938?

Q. What were the gasoline stocks as of December 1, 1938?

A. 3,137,625 barrels.

Q. What do you expect your gasoline inventory to be on December 1, 1939, assuming normal conditions?

A. On December 1, 1939?

Q. Yes, they close of this year.

A. 5,244,749 barrels.

Q. How much gasoline do you expect to have on hand April 1, 1940, assuming normal conditions?

A. Approximately eight million barrels.

Q. What is your present crude oil inventory?

A. As of August 1, 26,743,164 barrels.

Q. How much of crude oil stocks is needed to fill pipe lines and tankers in route?

A. Crude required for pipe lines, to fill tank bottoms of pipe line system, and refineries, and refinery working stocks 18,241,000 barrels. Of this amount approximately 2,000,000 a minimum of 2,000,000 barrels, are actually tank bottom. Deducting this from crude stock as of August 1 leaves 8,502,154 barrels, available for refinery runs to stills.

Q. What is your daily run?

A. In excess of 300,000 barrels a day.

Q. How many days have you got on hand?

A. About 28 or 30 days, I would say, roughly, Mr. Commissioner.

Q. If there should be independent refineries located in Texas who are short on crude could you and would you accomodate them by letting them have crude from nearby storage where it could be piped to them?

A. We would if we had the stocks.

Q.. In fact, did you not do that for the Shamrock last week?

A. We offered to.

Q. You offered to' did they take your offer?

A. I don't think they were in need of crude right at the moment; they possibly will be.

Q. You are standing by ready to supply them as needed?

A. Fortunately we have some stocks in the Panhandle and can take care of their requirements and we will furnish it if they need it.

Q. What, if any, changes have there been in your crude inventory since March 31, 1939?

A. A decrease of 347,439 barrels.

Q. What are the proper economic levels of gasoline stocks and crude oil stocks above ground say, for October 1, 1939, January 1, 1940 and April, 1940, assuming normal conditions?

A. You mean our figures?

Q. The company figures.

A. We think that a comfortable minimum below which our crude stocks should not go will be 13,000,000, that would require perfect operations

which no one, I don't believe, has. We would say 18,000,000 barrels on crude. On October 1, gasoline 5,168,658 barrels, gasoline on January 1, 1940, 6,043,250 barrels, gasoline on April 1, next, approximately eight million barrels.

Q. What were your crude stocks of December 31, 1938; question 11?

A. 24,965,237 barrels.

Q. What do you expect your inventory to be December 1, 1939; I believe you have already stated that.

A. No I haven't.

Q. What is it expected to be?

A. It is problematical, depending, of course, on the shut down period, but our forecast that we have projected at this time, 27,670,420 barrels.

Q. What is to be the policy of your company with regard to inventories from now until December 31, '39?

A. We would like to reduce crude inventories, but to accomplish this we would have to curtail purchases, which as a matter of policy we will not do.

Q. How much do you wish to reduce them?

A. Well, we would like to have them down to the proper economic level of somewhere about 18,000,000 to 20,000,000 barrels.

Q. What factor does your company consider, and how does it determine the price it will pay for crude oil?

A. We would like to see crude oil priced at such a level that would enable the average small well operator to make a reasonable profit, as we believe in the interests of conservation this type of production should be preserved. However, under prevailing conditions, crude can not be priced exclusively on such a basis, and the following factors are taken into account.

(1) Prices paid by our principal competitors, particularly the largest buyer in any field.

(2) The price and amount of crude sold under prevailing posted price of the principal buyers.

(3) Price realized for refined products;

(4) The amount of crude oil available for purchase through the normal application of the rule of supply and demand;

(5) Generally, in posting prices we follow the largest buyer in each area if we think his evaluations are correct, but in many instances where we may disagree as to the value of the crude, we post different

schedules.

Q. What factors does your company consider and how does it determine the price at which it sells refined products?

A. It is generally recognized by everyone in the industry and I believe by a majority of the consuming public that the petroleum industry is highly competitive, and in the sale of refined products we have to recognize this condition as the controlling factor in determining the price at which we can sell our products, which can be no higher, considering grade and quality than the price at which our competitors market their own products.

Our preference would be to base the price on the cost of the raw materials, plus manufacturing costs, plus overheads, plus transportation costs, plus taxes, and add to that figure a reasonable profit. With competition as it is, it is not possible to work on a cost basis such as this and therefore, generally speaking, we are forced to follow competition in our markets.

Q. Is it your general plan to allow the filling station man four cents profit and from which pays a cent rent from the facilities; is that the general plan?

A. Mr. Commissioner, we have nothing to do with the spread that the dealer gets; we don't operate any service stations; we have a wholesale price, general tank wagon price, and he has his own price above that; we have nothing to do with the margin he gets over and above the tank wagon price.

Q. Do you happen to know whether he works on four cents and charge him a general tax of one cents?

A. In some service stations we try to get our full carrying charge plus a reasonable profit on our investment. In some cases we have made a bad investment and can't realize it out of it. In some cases we take a cent back and the dealer fixed his own margin from four cents to four and a half and in some cases as high as five and a half.

Q. Would your company purchase crude oil under any conditions and if so, how much, and under what conditions?

A. The purchase of crude for storage as such, no. We have purchased more than we needed for other reasons; because we believe it is cheapest to keep the storage of crude in its natural reservoir in the ground.

Q. What does it cost you per year to keep storage above ground?

A. Twenty to twenty-five cents per barrel.

Twenty to twenty-five cents per barrel per year for storing oil above the ground?

A. I think that is the figure.

Q. Does your company favor the enactment of laws to enforce the conservation of oil and gas in all oil states, including Illinois?

A. Yes, sir, we are strongly in favor of, and have constantly advocated the enactment of suitable conservation laws in states that have not as yet such statutes, as well as better and more equitable enforcement of the existing laws in states that have them.

We believe that in the face of the potential over supply of crude oil that now exists in this country, state conservation statutes which by amendment and subsequent court rulings have been improved, constitute the best method yet devised for preventing physical and economic waste of this irreplaceable natural resource.

Q. In the interest of conservation, does you r company favor there being an outlet provided for the full production of all stripper wells before any oil is purchased from flush fields, and will your company cooperate in accomplishing such an objective?

A. Generally, yes. We are sympathetic to the protection required for stripper areas so that reserves there under might be preserved to the industry. However, stripper areas suffer a competitive disadvantage due to higher costs of production and gathering. We are willing to cooperate to the extent of our facilities and requirements will permit.

Q. Does your company favor the allocation of the balance of each state's allowables equitably among the prorated fields of each state, and will your company cooperate in seeing that the oil is purchased as allocated, and thus eliminate selective buying, that is, where a company buys where they have lots of production and don't buy where they haven't.

A. Yes, I don't believe, Mr. Commissioner, that selective buying can ever be entirely eliminated, because in the modern methods of refining and the increasing public demand for the products, quality products, the old assertion that "oil is oil" from a refining viewpoint no longer holds. For example, take the case of low octane crude and crudes otherwise undesirable, refining capacity and equipment to handle same is limited, and it is obvious that these types of crudes can not enjoy the same proportionate demand as sweet and other high grade crudes. Transportation facilities that are available is also a factor as to what crudes

we can afford to buy. Therefore, I think that there a good many factors that enter into that.

Q. Are you familiar with this magazine called "World's Petroleum"? In the August issue of 1939 which gives a list of "Five Year Financial Review of United States Oil Companies" on page 41 it has got the Texas Company for the year 1937. This compilation shows the working capital, net working capital of $127,058,606.00 and The Texas Company had a net income of $54,574,319.00, is that incorrect?

A. I assume it is correct; it is approximately correct.

Q. Generally speaking, did you make about fifty-four million in 1937?

A. That is correct.

COMR. THOMPSON. That is all the questions I have to ask the witness.

CHAIRMAN SMITH. If there are no further questions of the witness he will be excused.

(W i t n e s s E x c u s e d)

CHAIRMAN SMITH. We will adjourn until two o'clock.

(Thereupon recess was had until two o'clock P. M.)

AFTERNOON SESSION

CHAIRMAN SMITH. Gentlemen, will you get seats, please? Is the representative of the Pure Oil Company ready to testify?

The representative of the Pure Oil Company does not seem to be present.

We call for the representative of the Gulf Company to come to the witness stand, please.

W. B. PYRON, a witness in said cause, being by the Commission first duly sworn, testified as follows:

QUESTIONS BY COMR. THOMPSON.

Q. Will you state your name and position with the Gulf Company?

A. W. B. Pyron, Vice President of the Gulf Oil Corporation.

Q. General Pyron, speaking for the Gulf Oil Company, what are your present stocks of gasoline in all forms, finished and unfinished?

A. As of August 26th, 1,316,765 barrels.

Q. How does that compare with a year ago, General?

A. Slightly less, about 360,000 barrels less. The total last year was 1,678,630 barrels.

Q. What has been the change in your gasoline stocks since March 31, 1939?

A. A reduction of 75,000,398 barrels.

Q. Will you read the figure again; I believe it must be an error, I believe you said millions.

A. 75,398 barrels less.

Q. Yes, General, I believe you said millions.

A. Well, I am sorry.

Q. How much of your present stock of gasoline is needed to fill pipe lines and tankers?

A. Well, I don't know just how to answer that question.

Q. What does it take?

A. Except that the refinery carries something like 500,000 barrels, which they consider tank bottoms, they have no pipe lines to amount to anything. I would say approximately 500,000 barrels that is not immediately available to the market.

Q. Yes, General, that is what we wanted, exactly. What is your present crude oil inventory?

A. 9,207,378 barrels.

Q. How much of your crude oil stocks are needed to fill pipe lines and tankers in route and tank bottoms? In short, how much crude oil does your company have that is immediately available in tanks in condition to be dispatched when, where and as needed?

A. Stocks needed to fill pipe lines -- incidentally, Mr. Commissioner, these figures I am giving you are for the Texas Division. We assumed that that was what was wanted at this hearing.

Q. That is right.

A. Pipe lines in Texas require 1,370,178 barrels, tank bottoms 1,019,856 barrels, leaving net merchantable oil 6,817,344 barrels.

Q. What, if any, changes have there been in your crude inventory since March 31, 1939?

A. We have reduced our crude stocks 1,540,000 barrels.

Q. What are the proper economic levels in your opinion of gasoline stocks and crude oil stocks above ground as of October 1, 1939, January 1, 1940 and April 1, 1940?

A. Well, that is something that we haven't the information to answer on because of the present economic conditions. If conditions were

normalcy would . . that the figures given above (gasoline is approximately the amount we would like to maintain. Crude oil stocks, and that is under purely normal conditions, probably should be built up a million barrels, or possibly a million and a half.

Q. What were your gasoline stocks as of December 1, 1938.

A. 1,653,600 barrels.

Q. What were your gasoline stocks as of December 1 -- what do you expect your gasoline stocks inventory to be on December 1, 1939, assuming normal conditions

A. Well, assuming normal conditions we would expect them to be about 1,200,000 barrels.

Q. What were your crude stocks as of December 1, 1938?

A. 7,775,000 barrels.

Q. What do you expect your crude inventory to be then on December 1, 1939, assuming normal conditions?

A. Well, under normal conditions with runs as they were prior to the shut down we would have approximately 7,000,000 barrels.

Q. What is to be your policy with regard to inventories from now until December 1, your desire?

A. If oil was available we would like to fill up our stocks, as I said before. to possibly a million to a million and a half barrels.

Q. What factors does your company consider, and how does it determine the price you will pay for crude oil?

A. Well, we try to buy oil at a reasonable price, we are large producers ourselves, and of course are interested in getting as much as we can. We, of course, have to consider the character of the oil and its value, then the competitive conditions must be met to maintain our pipe line runs in good times and in bad times.

Q. What factors does your company consider, and how does it determine the price at which it sells the refined products?

A. I am not in the sales end of the business, but men who operate that end tell me that they of course try to sell the gasoline at a price that will net them back a reasonable margin of profit, after considering the cost of crude manufacture, and selling and so forth, but of course, they want to maintain their volume, and they, of course, have to meet competitive conditions, and they are not able to always do what they would normally like to do.

Q. Do you consider, General, do you, or not, that there ought to be a

fair price for gasoline?

A. Yes, sir, I think that people who sell gasoline are entitled to a fair return on their investment, and I think the public would expect to pay whatever price -- any reasonable price.

Q. By a fair, I am sure, General, you mean fair to the producer and fair to the refiner and fair to the transportation people, fair to the wholesaler and fair to the retailer, and fair to the public?

A. Yes, sir.

Q. Would your company purchase crude oil for storage under any conditions, and if so, how much, and under what conditions? I believe you just said you would like --

A. I said I would like to build up our stocks somewhat.

Q. General Byron, does your company favor the enactment and enforcement of laws to promote the conservation of oil and gas in all gas producing states?

A. Yes, sir, provided they are true conservation measures.

Q. In the interests of conservation, does your company favor there being an outlet provided for the full production of all stripper wells before any oil is purchased from flush fields, and would your company cooperate in accomplishing such an objective.

A. In the interests of conservation we favor according all possible protection to stripper wells. We feel, however, that we are not warranted in application of full production of stripper wells before any production is purchased from flush fields, [illegible] and it has been and is our policy to cooperate in the handling of production from stripper wells.

Q. Does your company favor the allocation of the balance of each state's allowable equitably among the prorated fields of each state, and will your company cooperate in seeing that the oil is purchased as allocated and thus eliminate selective buying?

A. We are in favor of allocating allowables equitably among the prorated fields to the extent to which that is practicable. It is limited, however, by a number of considerations, among which are the differences in the quality of the oil and the difference in the equipment for processing the oil.

Q. Are you familiar, General, with this book called a magazine or trade journal, "World Petroleum"?

A. I see it occasionally, Mr. Commissioner.

Q. I have in my hand the August issue, 1938, and on page 40, under

the head, "Five Year Financial Review of United States Oil Companies," it has the Gulf Oil Company, and under the year 1937 it shows the net working capital of $118,361,299.00; the net income was $31,854,065.00. Would you know whether that was an error or not, General?

A. I don't know how they classified or arrived at their working capital. Our statements are not made on that basis. The profits are approximately correct. They go to thirty-one million, and our statement indicates that we have invested something like six and seven hundred million dollars; I don't know, we don't carry such a thing as working capital, and I could not say whether or not that figure is correct, not knowing what factors they used in arriving at their figures.

COMR. THOMPSON. That is all of the questions I have, Mr. Chairman.

CHAIRMAN SMITH. Are there any additional questions by any one?

MR. R. H. FOSTER. Mr. Chairman, --

CHAIRMAN SMITH. Will you come around, Mr. Foster and talk over the mike so that they can hear you over the room?

MR. FOSTER. Mr. Commissioner, it appears to me that we should ask the General to give the figures of the overall picture of the Gulf rather than the Texas Division so that a correct comparison can be made with the figures that were given us last December.

CHAIRMAN SMITH. Will you do that Mr. Pyron?

A. Yes, sir, I will be glad to do that. I can't furnish them today. We thought the figures wanted at this meeting were only for the State of Texas. They can be made available by tomorrow or the following day because we will have to get the figures from four or five other states.

CHAIRMAN SMITH. That will be satisfactory, Mr. Pyron, with the Commission. You are excused.

(Witness Excused)

CHAIRMAN SMITH. Will a representative of the Phillips Petroleum Company come to the witness stand.

A. S. A D A M S, a witness in said cause, being by the Commission first duly sworn, testified as follows:

QUESTIONS BY COMR. THOMPSON.

Q. Mr Adams, what is your official title with the Phillips Petroleum Company?

A. President.

Q. You are the President of the Phillips Petroleum Company?

A. Yes, sir.

Q. What are your present stocks of gasoline, all forms, finished and unfinished?

A. As of July 31, 1939, 1,384,646 barrels.

Q. How does this compare with a year ago?

A. Reduction of 140,119 barrels, or approximately four days' supply.

Q. How much natural gasoline have you got on hand?

A. About 1,800,000 barrels.

Q. How does that compare with a year ago?

A. That is about, I would estimate, about 100,000 barrels less.

Q. What has been the change in your gasoline stocks since March 31, '39?

A. A reduction of 239,083 barrels from March 31 to July 31, and 338,729 barrels estimated as of August 31.

Q. How much of your present stocks of gasoline is needed to fill pipe lines and tankers?

A. We need a minimum working stock of 1,300,000 barrels.

Q. Do you have considerable pipe line, gasoline pipe lines?

A. Well, small compared with a few of our principal competitors; satisfactory for our own requirements.

Q. Do you have one that runs from the Panhandle Field?

A. Yes, sir.

Q. How much does it take to fill that pipe line, gasoline pipe line?

A. Of all grades?

Q. Yes, so that you can get something out at the other end?

A. Well, about thirty thousand barrels a day.

Q. Before you fill it, Mr. Adams?

A. To fill it, it takes about 425,000 barrels, as I recall.

Q. If you want to get a barrel out at one end you put in a barrel at this end?

A. We could get by on a little less than that. However, we could not take an average of 30,000 barrels a day; we could not put 30,000 barrels in it each day and get the same amount out at the other end unless we had it to full capacity.

Q. What is your present crude oil inventory, Mr. Adams?

A. As of July 31, 6,435,491 barrels; we estimate as of August 31, 5,882,000 barrels.

Q. How much of your crude oil stocks are needed to fill pipe lines and tankers and how much for tank bottoms?

A. We feel that we need a minimum working crude oil inventory of about three and a half million barrels.

Q. Will you tell me how much it takes for tank bottoms?

A. About 200,000 barrels.

Q. What, if any, changes have there been in your crude inventory since March 31, 1939?

A. On March 31 we had a total of 7,110,115 barrels; they had been reduced through July 31, 674,624 barrels; we estimate the decline through August 31, this year, from March 31, 1,257,124 barrels.

Q. What do you expect your gasoline inventory to be on December 1, '39, assuming normal conditions, Mr. Adams.

A. Approximately 1,453,000 barrels.

Q. What were your crude stocks as of December 1, 1938?

A. 7,761,898 barrels.

Q. What do you expect your crude inventory to be December 1, 1939, assuming normal conditions?

A. About 5,800,000 barrels.

Q. What is to be your policy, assuming normal conditions, with regard to inventories from now to the end of the year?

A. We feel that our inventories should not be increased or decreased.

Q. What factor does your company consider, and how does it determine the price it will pay for crude oil?

A. One of the most important factors would be the cost for pumping oil under normal conditions, plus a reasonable profit. We purchase crude oil where there are large demands for crude oil, and we meet the demands of competition. So far as competition and price is concerned, we take into consideration the quality of oil, the supply available and the demand for the oil.

Q. What factors does your company consider and how does it determine the price at which it sells refined products?

A. We feel that we must meet competition in the sale of all of our refined products, and at the same time we try to sell our refined products at the highest possible prices.

Q. You believe in a fair price for gasoline, do you not?

A. There is no question about it; we feel that the price of gasoline should be based upon the price of raw material, crude oil.

Q. The price should be built upon that? Your answer seems to have general approval.

A. Thank you.

Q. Would your company purchase crude oil for storage under any conditions, and if so, how much, and under what conditions?

A. Yes, we would. We prefer not to increase our crude oil inventories. We feel that they are about what they ought to be. However, if the allowable production of the wells to which our pipe lines are connected exceeds the current demand for crude oil we would continue to take the oil, going to storage, over a short period of time, if the conditions corrected themselves so as to prevent pipe line proration. We would also purchase crude oil for storage when our inventories are below the proper economic level?

Q. Will you explain what you mean by the term "pipe line proration"?

Q. Well, you should not allocate more production of crude in the field than there is demand for the oil.

Q. I know, but how does pipe line proration come in?

A. Well, there is more oil produced than the pipe lines want to buy, and have a demand for.

Q. Then they prorate it. Is that pipe line proration?

A. That is my understanding, yes, sir.

Q. Where more oil is being produced in the field than the pipe lines desire to buy?

A. Correct.

Q. Then they allocate to each a fair part?

A. They should, yes, sir.

Q. Does your company favor the enactment and enforcement of laws to promote the conservation of oil and gas in all oil producing states?

A. By all means, yes, sir.

Q. In the interest of conservation does your company favor their being an outlet provided for the full production of all stripper wells before any oil is purchased from flush fields, and will your company cooperate in accomplishing such an objective?

A. Yes, we feel that every producer of oil should have a pipe line connection. We also have in the past, and will in the future, cooperate in accomplishing that result wherever the facilities we have in the field will take care of the oil.

Q. Does your company favor the allocating of the balance of each state's allowable equitably among the prorated fields of each state, and will your company cooperate in seeing that the oil is purchased as allocated, and thus eliminate selective buying?

A. We are against so-called selective buying in all pools in all states. We feel that each pool in every oil producing state should have an equitable share of the total market demand for that state. Our company will cooperate in seeing that oil is purchased as allocated in those pools where we purchase such oil if there is a demand for such oil.

Q. Are you familiar with the World Petroleum magazine?

A. Yes, I am familiar with the magazine.

Q. I have here in my hand the issue of August, 1939, and on Page 40, under the heading of "five Year Financial Review of United States Oil Companies," the Phillips Petroleum Company as reported here had a net working capital of $30,657,681.00, and having a net income of $24,113,874.00. Would that be wrong, Mr. Adams?

A. I don't think it would be. However, we want to say -- I don't recall what our working capital was, but I do recall that we have approximately $350,000,000.00 invested in plants and properties, and in our working capital in the earnings of about $21,000,000.00 as you have so stated was nothing more than a fair return on the capital invested.

COMR. THOMPSON. I have no further questions.

CHAIRMAN SMITH. Are there any further questions of the gentleman by anyone? If not, you are excused.

(Witness Excused)

****

CHAIRMAN SMITH. Will the representative of the Stanolind Oil Company come to the witness stand? Is there a representative of the Stanolind Oil Company present?

F. O. PRYOR, a witness in said cause, being by the Commission first duly sworn, testified as follows:

QUESTIONS BY COMR. THOMPSON.

Q. Will you give your name?

A. F. O. Pryor.

Q. The company you represent, and your position.

A. President of the Stanolind Oil and Gas Company.

Q. You are the President of the Stanolind Oil & Gas Company?

A. Right.

Q. Mr. Pryor, what are your present stocks of gasoline in all forms, finished and unfinished?

A. August 1, 1939, 71,930 barrels.

Q. How does that compare with a year ago?

A. Gasoline stocks as of August 1, 1938, were 69,060 barrels.

Q. What has been the change in your gasoline stocks since March 1, 1939?

A. They have increased about 3410 barrels.

Q. How much of your present stocks of gasoline is needed to fill pipe lines and tankers?

A. We don't have any tankers. Pipe lines, 5300 barrels.

Q. What is your present crude inventory?

A. The present crude inventory as of August 1, 1,182,746 barrels.

Q. How much of your crude oil stock is needed to fill pipe lines and tankers in route, and how much of it is tank bottoms; in short, how much crude oil does your company have that is immediately available in tanks in condition to be dispatched when needed?

A. For tank bottoms and pipe lines 122,412 barrels, leaving a net of about 1,060,000 barrels available stocks.

Q. What, if any, changes have there been in your crude inventory since March 31, '39, question 16.

A. They have decreased about 78,000 barrels.

Q. What, in your opinion are the proper economic levels of gasoline stocks and crude oil stocks above ground as of October 1, 1939, January 1, 1940, and April 1, 1940?

A. Well, as far as we are concerned, our present stocks would be all right for any one of those dates.

Q. Your present stocks?

A. Right.

Q. What were your gasoline stocks as of December 1, 193[illegible], what were they, question nine.

A. 51,450 barrels.

Q. What do you expect your gasoline inventory to be as of December 1, '39?

A. Between 50,000 and 60,000 barrels.

Q. What were your crude stocks as of December 1, '38?

A. 1,059,000 barrels.

Q. What do you expect your crude inventory to be as of December 1, '39?

A. Approximately 789,000 barrels.

Q. What is to be your policy with regard to inventories from now until December 1, 1939?

A. We expect the inventories to remain about the same.

Q. What factors does your company consider and how does it determine the price it will pay for crude oil?

A. Stanolind Oil & Gas Company is primarily a producer of crude oil and gas in the States of Wyoming, Colorado, New Mexico, Kansas, Oklahoma, Texas, Louisiana and Michigan. It is not engaged in the business of buying oil as a general purchaser. The price paid by Stanolind Oil and Gas Company for oil that is purchased is determined on the bases of the prices posted by the competitive buyers for oil of like grades and gravities in the area where produced, or on the basis of the price that Stanolind can obtain for such oil when resold.

Q. What factors does your company consider and how does it determine the pric at which it sells refined products?

A. As I have already stated, Stanolind Oil & Gas Company -- its principal business is that of a producer of crude oil and gas. It does, however, have one small refinery located at Superior, La. All of the products refined or manufactured at the refinery are sold and delivered to others for redistribution. Stanolind Oil & Gas Company does not engage in tank wagon or retail sales. The factors considered by this company in determining its wholesale price for refined products are, (a) cost of raw material, (b) operating and overhead charges and (c) competitive prices.

Q. Would your company purchase crude oil for storage under any conditions and if so, how much, and under what conditions?

A. Stanolind Oil & Gas Company not being engaged as a general purchaser of crude oil, and operating only one small refinery, does not carry any substantial crude stocks in storage. As a matter of fact, this company believes that it is to the best interest of the industry, so far as economically practical, to eliminate all storage except all necessary working stocks. It is the position of this company that crude oil can best be stored in its natural reservoir and that the maintenance of crude stocks above ground in excess of necessary working stocks, results in loss and waste. Stanolind Oil & Gas Co. would purchase oil for storage above

ground in the amount necessary for working stocks.

COMR. SADLER. These figures that you gave, are those Stanolind's figures, or does that include the Standard of Indiana?

A. Stanolind Oil & Gas Company.

COMR. THOMPSON. Does your company favor the enactment and enforcement of laws to promote the conservation of oil and gas in all oil producing states?

A. We definitely favor the enactment and enforcement of conservation laws by the individual states to the end that the natural resources of the state, inclusive of crude oil and gas, and reservoir energy, may be best conserved for the benefit of those having the right to explore for and produce such natural resources, and for the benefit of the consuming public generally.

Q. In the interest of conservation, does your company favor there being an outlet provided for the full production of all stripper wells before any oil is purchased from any flush fields, and will your company cooperate in accomplishing such an objective?

A. To the extent necessary to prevent the premature abandonment of stripper wells and the waste incident thereto, when not in conflict with other conditions causing waste, Stanolind Oil & Gas Company believes that such stripper wells should be favored in the distribution and market outlets.

Further than this, we do not believe that stripper wells should be favored so as unnecessarily to penalize flush areas, or discourage the discovery of new reserves.

Q. Does your company favor the allocating of the balance of each state's allowable equitably among the prorated fields of each state, and will your company cooperate in seeing that the oil is purchased equitably among the prorated fields of each state, and will your company cooperate in seeing that the oil is purchased as allocated and thus eliminate selective buying?

A. Stanolind Oil & Gas Company is, and always has been, in favor of an equitable distribution of the market demand for crude oil among all of the producing fields of each state in such manner and on such basis as will give to every producer and operator in each field an equal opportunity to recover an equitable share of the oil and gas from any common source of supply, based on the amount of reserves represented by each producer's or operator's property ownership. This company will cooperate in every feasible way in seeing that oil is produced and purchased on an equitable basis to the end that special allowables and selective buying may be eliminated.

Q. Is the Stanolind and the Standard of Indiana the same thing?

A. No, sir, they are not.

Q. I was looking for Stanolind and I couldn't find it.

I find Standard of Indiana; they are separate companies?

A. They are separate companies.

Q. I can't find anything on Stanolind here.

That is all, Mr. Chairman.

CHAIRMAN. Anyone wish to ask the witness any questions. If not, you are excused.

Will the witness for the Socony-Vacuum come to the witness stand, please?

****

A. J. Mc Intosh, a witness in said cause, being by the Commission first duly sworn, testified as follows:

QUESTIONS BY COMR. THOMPSON.

Q. Mr. McIntosh, what is your connection with the Socony-Vacuum Oil Company, your official position?

A. Economist.

Q What is that?

A Economist.

Q You are an economist?

A Supposed to be.

Q What are your present stocks of gasoline, all forms, finished and unfinished in the hands of Socony-Vacuum?

A On July 31, 1939, 6,909,000 barrels in the United States.

Q How does that compare with a year ago?

A An increase of 1,000 barrels east of California, however, this would show a reduction of 486,000 barrels.

Q What has been the change in your gasoline stocks since March 31, 1939?

A An increase of 345,000 barrels, of which 191,000 barrels is in California.

Q Judge Foster asked me to ask you if that includes Magnolia?

A Yes, sir.

Q Magnolia is now included, according to the testimony.

Thank you, Judge Foster.

How much of the stocks is needed to fill pipe lines and tankers?

A 649,000 barrels.

Q What is your present crude oil inventory?

A On July 31, 1939 24,290,000 barrels in the United States.

Q How much of your crude oil stocks are needed to fill pipe lines, tankers in routes?

How much of it is tank bottom, in short, how much crude oil does your company have that is immediately available in tanks in condition to be dispatched where needed.

A In pipe lines and tankers in route we need 3,429,000 barrels.

Q You mean it takes that much to fill pipe lines and tankers, is that right?

A Yes, sir.

In tank bottoms, 1,913,000 barrels, other working stocks and necessary requirements — we figure that we have a surplus today of approximately 4,846,000 barrels above requirements.

A What, if any, changes have there been in your crude inventory since March 31 of this year?

A A reduction of 706,000 barrels, of which 245,000 barrels were in the State of California.

Q What, in your opinion, is the proper economic level of gasoline stocks and crude oil stocks above ground on October 1, 1939, January 1, 1940 and April 1, 1940?

A Colonel Thompson, I am very sorry to tell you that I misinterpreted that question and we set down figures that you -- we thought you were asking for the whole industry.

Q I am glad you made a mistake. That is very important. I am glad that you made a mistake on the overall, it is very important to get an economist's view, your view.

A On October 1, 1939, in our opinion, the industry could economically and satisfactorily conduct their business with an inventory of about 59,500 barrels of gasoline; on January 1, 1940, we believe that this should increase to say 63,600,000, while on April 1, 1940 the figure would be somewhere in the neighborhood of 82,500,000 barrels. For crude oil I have not changed anything from what I brought down here last December, and that is, in our opinion, the industry could get along with an inventory with possibly as low as 225,000,000 barrels.

Q How much?

A 225,000,000 barrels. This figure has no particular seasonal variation. The figures include the amount necessary to fill pipe lines, tankers and tank bottoms as requested.

Q Does your 225,000,000 include the oil in pipe lines, tankers and tank bottoms?

A Yes, sir, all of these requirements, cases and descriptions.

Q What is the present crude in storage in the whole United States?

A The last figures I had available to me for a final figure was as of -- the final figures for July 31, which have, of course, been considerably reduced the last figure is 270,000,000 barrels, and I understand the latest Bureau of Mines figure would show a figure of 263,000,000 barrels.

Q 260,000,000 is the figure.

A That is what I had in mind.

Q That leads you to what conclusion?

A That in the United States as a whole there must be a present surplus of 37,000,000 barrels.

Q Do you know where that oil is located?

A Only according to our construction of -- very rough construction of where it has been in the past and possible requirements.

Q Will you give us the benefit of that construction?

A I think the most of it would be in Texas, to start off with.

Q Pardon?

A I think you most li.. ly will be interested in Texas start off with.

A Yes, what is that?

A According to our construction, Texas on July 31, had an inventory below their share of 225,000,000 to the extent possibly of 8,100,000 barrels. Oklahoma, on the other hand, had a possible surplus of 23,000,000 or 23,000,000, Kansas was only 800,000 above what we considered their proper stocks. Louisiana seemed to be quite a bit below, 700,000 barrels below their working stocks or required figure. The figure on Illinois, we talked about last December, was six million barrels. We might have to revise that upward, but on the basis of six million barrels --

Q Six you say sixty or six?

A Six million barrels.

Q Six million barrels?

A Six million, that is right.

They would have a surplus of 8,600,000 barrels, but I still say again that possibly that should be qualified since the situation has changed so rapidly from that date. In Wyoming the present surplus is possibly seven and one half million barrels; other fields east of California might have a surplus of 5,335,000 barrels, so that east of California they all sum up to a surplus on July 31, these figures, 36,000,000 barrels, a gain of which Oklahoma has the major portion.

In California, according to our conception there might be a surplus of 1,255,000 barrels of refinable crude, not taking into consideration any of the heavy crude, and that would add down to a surplus of forty-five million at the end of July, which has been reduced possibly to the extent of eight million barrels or seven million barrels since July 31 to the shut down.

Q What were your gasoline stocks as of December 1, '38, question 16?

A We brought down figures pretty close to what your original question was, which was of December 12 and those were 5,512,000 approximately.

Q What do you expect your gasoline inventory to be on December 1, 1939, assuming normal conditions?

A 5,615,000 barrels; most of this increase was estimated to be in California.

Q What were your crude stocks December 1, '38?

A We again adhered as nearly as we could to the December 12th figure, which figure was 27,803,000 barrels approximately.

Q What do you expect your crude inventory to be on December 1, 1939, normal conditions assumed?

A 22,338,000 barrels.

Q What is to be your policy with regard to inventories from now to December 1, 1939, assuming normal conditions?

Q This seems to related to the same general policy in a subsequent question, that is, question 16 -- between now and December of this year, the indications are contained in the answers preceding this one which show material decreases in both crude and gasoline.

Q Why have you indicated that you are short in Texas; why do you think we are, has it been because we have retrenched too sharply?

A The best construction of the figure that we can arrive at in studying over past performances and working days' supply, which we did in pursuance to your request of last December, was to produce a figure in the neighborhood of 75,000,000 for Texas That seemed to be substantially what they could practically get along with; they probably can get along with somewhat less as they have been doing it, but that is the figure that was worked out. I filed with you a complete story on that computation at that time at your request.

Q Can you explain as an economist and from your view of the industry why some of the other states seem to have a surplus?

A Oklahoma surplus, which is the only material quantity involved has lain there, I suppose, if I remember the figures correctly, the last decade, and is gradually being worked off. The summary shows that in the last year Oklahoma has worked off eleven and half million barrels of its surplus and is approaching a time when they will have their house completely in order.

Q You are considering these oils from their source, and not from where they actually rest.

A Yes, these are figures of source states, not resting places.

Q Not where they happen to be at the moment, but from whence they came?

A Yes, sir, that is correct.

Q Does your company favor the enactment and enforcement of laws to promote the conservation of oil and gas in all oil producing states?

A Colonel Thompson, in answer to questions 14 and 19, our officials have had the opportunity to look over the proposed answers that were filed by Mr. Chan of the Magnolia Company this morning.

Q By whom?

A Mr. Chan of Magnolia Petroleum Company this morning, and in their opinion these answers were adequate and complete, and they cover their views in every way.

Q You mean you and the Stanolind and the Magnolia get along all right?

A The Stanolind?

Q On these views?

A I believe you are confusing the names, we haven't anything to do with Stanolind.

Q I mean the Sconony-Vacuum and the Magnolia are not different on these answers.

A They are not different. Our officials have had the opportunity to review or look over the answers by Magnolia, and they feel that they give adequate expression to their own opinions and policies, and we, you might say, second the motion.

A I notice in this Petroleum World, on Page 41, in the year 1937 the Socony-Vacuum on a working capital of $223,646,989.00 shows a net income of $56,808,264.00, is that about right?

A The income figure to me -- my recollection -- without having the figures before me, is substantially correct, Colonel Thompson.

On the other hand, just what is meant, and how they arrive at the net so-called "working capital", I am sorry to say that I can't tell you, but I will be very glad to look into it and let you know by mail.

Q I was confused myself as to what they meant by net working capital is the reason I asked the question.

A I don't know what it is.

COMR. THOMPSON. That is all the questions I have, Mr. Chairman.

MR. JACK BLALOCK. I would like to ask a question or two.

CHAIRMAN SMITH. Mr. Blalock wishes to ask a question. Come around to the microphone, Mr. Blalock.

QUESTIONS BY MR. BLALOCK.

Q Why do you fix the amount of desirable storage in the United States at 225,000,000?

A The question is, why do I fix the figures at 225,000,000?

Q As being the proper figure?

A The question was asked of the various people that were to attend the December, 1938 meeting, as to what they thought the proper stocks of gasoline and crude oil were for the United States, and they talked that time about it in the industry, but there was no confusion of the issue at that particular moment, and being that I was close to those so-called economist I went to work on that particular problem and made a rather careful analysis of what the various fields had had in the past, and I read that report in

complete length here last December, and I think you have a copy of that on file; I didn't fix the figure, the figure was arrived at by various testing methods, and the figure exactly adds down to 224,901,000 barrels, and I think that was given in the testimony in December..

Q That is correct. I was merely trying to arrive at why that figure should not be higher or lower.

A That figure could be higher or lower, that was only my own opinion as the figures came out, I don't calim that this is by any means the figure. It is only my opinion.

Q In your opinion if the figure was raised do you feel that it would seriously affect the economics of the industry?

A In the last part of this statement at that time -- I think this might clear that particular question up -- I said -- "From the above it would appear that under ideal conditions based upon a study of days' supply as from an historical study of actual performance, that the industry could get along with 225,000,000 barrels of crude oil. It would be necessary, however, for each individual field to reach its particular low and keep to that basis. This ideal is generally unobtainable and if stocks were reduced to 225,000,000 barrels, certain individual fields or operators unquestionably would find themselves short. Some allowance, therefore, should be made for these conditions. In our opinion stocks could be reduced to below 250,000,000 barrels without distress to the industry and then there should be taken into account the particular circumstance of fields and companies and the amount of distress that might thereafter appear because of the lowness of stock levels."

Q In connection with the amount of crude that is in storage at the present time, and that indicated desired level, can you tell me about how many companies, we will say that approximately 90% of that storage is held and owned by?

A I haven't got such figures available, those figures of course are not available to any individuals except through such commissions as the Texas Railroad Commission. You can not get those figures from Washington, those figures are given to Washington confidentially. The only place that I have ever heard of company figures being given is in the Railroad Commission.

Q (By Comr. Thompson) You say that this is the only place that you have seen the figures given out?

A That is the only place that I have heard of individual company figures being available.

Q (By Comr. Thompson) Here is something new under the sun, isn't it? From an economist's standpoint and statisticians' standpoint, which will be helpful to economists and economists to arrive where we are at in this oil situation.

A Yes, decidedly so.

Q (By Mr. Blalock) I want you to understand, Mr. McIntosh, that I am not asking you for the names of the companies, but I was merely inquiring if you knew approximately the number of the companies who hold, we will say, 90% of the storage oil above ground in the United States.

A I think I have those names of the companies on the last analysis here; how many they add up to equal 90% I would have to make a count, and I would be very glad -- you can make the count from your own records down here if that is necessary.

Q Would you say that approximately 12 or 14 companies own approximately 90% of the storage above ground in the United States?

A Again, I say, without coming back and looking at your own testimony for the individual companies I would not want to answer that question ad lib. I would rather get the figures and tell the facts.

Q Are you at present withdrawing oil from storage in the United States?

A The Bureau of Mines' weekly figures -- they are the only figures available - show definitely that we are withdrawing crude from storage in the United States.

Q Did that condition exist prior to the shut down?

A For the last two months that did exist.

Q Then for the last two months prior to the shut down is it a correct statement to say that the United States is producing less oil than it was consuming and exporting?

A As far as crude oil goes, those statements are correct.

MR. BLALOCK. That is all, thank you.

COMR. THOMPSON. Mr. McIntosh, while we are on this question of imports, that has been mentioned, are imports increasing now or are they decreasing?

A I will have to get my file over here.

Q (Comr. Thompson) Do you now have the file?

A The file is now present.

Q The question is, are the imports increasing or decreasing over the period January 1 up to now?

A I presume you are talking about crude oil?

Q Crude oil.

A The daily imports of crude oil published by the United States Bureau of Mines, the first six months of 1939 was 86,000 barrels, and for the first six months of 1938 was 70,000 barrels, an increase of 16,000 barrels.

Q Only a 16,000 barrel increase?

A 16,000 barrels a day during the first six months, average for the two years.

Q Do you know, or have you heard as an informed economist in the oil business who is pretty liable to hear what is going on, have there been any appreciable increases of imports in the last few weeks?

A Only what I have seen in the newspapers.

Q What did you see in the newspapers?

A That there was liable to be increases in imports if the shut down continued which would be a natural conclusion, presumably from the laws of economics.

Q Who would be doing that, most likely?

A Who would be importing?

Q Most likely?

A Anybody that stored crude oil, I presume.

Q Who does the importing now, generally?

A Again, the individual companies' names are not available to me.

Q You are pretty well-informed generally, Mr. McIntosh?

A Not on individual company names, I am sorry.

Q Well, it is pretty generally known that the Gulf and the Standard of New Jersey are the principal importers from South America?

A I think such statements have been made, but I have no direct knowledge myself of those figures.

Q You sometimes look at the Government reports, don't you?

A You can't find any individual names there, I don't believe, Colonel Thompson, in the Government reports.

Q Did you ever go down to the docks and watch the ships come in?

A No, sir.

COMR. THOMPSON. That is all the questions I have.

MR. FOSTER. I would like to know if the witness can give the names of the companies with own approximately 22,000,000 barrels of Oklahoma crude that is in storage, and how much is held by each of them?

A I am sorry to say that individual company names again are not available to me, and I do not know of any place that you can get them outside of the Texas Railroad Commission.

CHAIRMAN SMITH. If that is your answer, you are excused.

(Witness Excused)

* *

J O H N G. P E W, a witness in said cause, being by the Commission first duly sworn, testified as follows:

QUESTIONS BY COMR. THOMPSON.

Q Will you state your name and official position?

A John G. Pew, Assistant Vice President of the Sun Oil Company.

Q What are your present stocks of gasoline in all forms?

A As of August 1, 1939, 1,860,000 barrels.

Q How does it cimpare with a year ago?

A These stocks represent an increase of seven thousand barrels.

Q What changes in gasoline stocks have there been since March 31, this year?

A We have had a decrease since March 31, 1939 of 490,000 barrels.

Q How much of your present stocks of gasoline is needed to fill pipe lines and tankers?

A 320,000 barrels.

Q Do you ship any gasoline from California east through the Panama Canal.

A I am pretty sure we do.

COMR. THOMPSON. How much have you shipped that way lately?

A I don't know.

Q Will you furnish us the figures on that item since January 1?

A Yes, sir.

Q What is your present crude inventory?

A As of August 1, 1939, 6,655,000 barrels.

Q How much of your crude oil stock is needed to fill pipe lines, tankers in route and how much for tank bottoms?

A For pipe lines and tankers in route 890,000 barrels; for tank bottoms 680,000 barrels; a total of 1,570,000 barrels.

Q How much crude oil does your company have immediately available for dispatching?

A 5,085,000 barrels.

Q What, if any, changes have there been in your crude inventory since March 31, of this year?

A Our crude oil stocks have increased since March 31, 1939, 835,000 barrels.

Q What, in your opinion, is the proper economic levels for gasoline stocks and crude oil stocks above ground as of October, 1, 1939, January 1, 1940, April 1, 1940?

A Gasoline, October 1, 1939, 1,660,000 barrels; January 1, 1940, 1,930,000 barrels; April 1, 1940, 2,750,000 barrels; crude oil October 1, 1939, 6,700,000 barrels; and the same for January 1, 1940 and also for April 1, 1940. These figures include oil that goes to fill pipe lines and tank bottoms.

Q They do include that?

A Yes, sir.

Q What were your gasoline stocks as of December 1, 1938?

A 1, 512, 000 barrels.

Q What do you expect the inventory to be on gasoline December 1, 1939, assuming normal conditions?

A 1,800,000 barrels.

Q What were your crude stocks as of December 1, 1938?

A 5,449,000 barrels.

Q What do you expect your crude inventory to be December 1, 1939, assuming normal conditions?

A 6,700,000 barrels.

Q What will be your policy with regard to inventories from now until the first of the year?

A Between now and December 1, 1939, the Sun Oil Company will attempt to maintain its crude oil position, and will decrease its gasoline stocks slightly.

Q What factors does your company consider, and how does it determine the price it will pay for crude oil?

A We can only consider competitive market conditions as the basis of the price which we will pay for crude oil. We must pay the going price to get crude. However, we believe that the producer of crude oil is entitled to a price for his oil that will encourage such curtailment of his production as may be necessary for the best conservation of this product, and that the producers should all join in this effort and could well afford to pay a market to reach this end. We will stand for a price to the producer of crude oil which will enable him to produce his oil in the best way and at a reasonable profit to the producer.

That was a statement that we made in connection with the price change December 17, 1932.

Q 1932, so it is a long-established policy of your company?

A Of course, that has to be consistent with the ability to market products.

Q What does your company consider, Mr. Pew, and how does it determine the price at which it sells its gasoline and refined products.

A We can only consider competitive market conditions and economic conditions in general throughout the country in determining the price at which we sell our refined products.

Q You are in favor of a fair price, are you not?

A Yes, sir.

Q Would your company purchase crude oil for storage under any conditions, and if so, how much, and under what conditions?

A The Sun Oil Company only purchases crude to maintain crude oil stocks sufficient to operate our refineries and produce products in accordance with the market demand for our products. We have no desire to increase storage now or any time, and do so from time to time only, first, to meet the demand for particular grades of crude; second, to serve producers in fields to whom we are obligated.

Q Does your company favor the enactment and enforcement of laws to promote the conservation of oil and gas in all oil producing states?

A Yes, sir.

Q I mean by that state laws?

A Yes, sir.

Q Is that what you mean, state laws?

A Yes, sir.

Q In the interest of conservation, does your company favor there being an outlet provided for the full production of all stripper wells before any oil is purchased from flush fields, and will your company cooperate in accomplishing such an objective?

A In principle we agree that outlets should be provided for the oil produced from stripper wells, provided that economic conditions permit the use of such oil from the standpoint of quality and cost. Under these conditions they should probably receive preference in the allowables.

Q Does your company favor the allocating of the balance of each state's allowable equitably among the prorated fields of each state, and will your company cooperate in seeing that the oil is purchased as allocated, and thus selective buying?

A To properly conduct our refinery operations, and produce products for which we have a demand, it is necessary to select certain types of oils in preference to others. However, we believe the allowable of each field should be based on production rates which will result in the greatest ultimate recovery of the oil from the sands in each field.

COMR. THOMPSON. In this magazine, called Petroleum World, or World Petroleum, I find here on this list of "Five Year Financial Review, United States Oil Companies," the Sun Oil Company, last year, in 1937, as having a working capital of $23,813,873.00, and a net income of $9,544,085.00. Is that about correct?

A I am not in position to discuss those figures; I have never seen them before.

Q How does the net income sound, is that about correct, or is it out of line?

A I am not familiar with that figure. However, we have spent more money in Texas than we have ever gotten out of it.

COMR. THOMPSON. That is all of the questions I have, Mr. Chairman.

CHAIRMAN SMITH. You are excused, Mr. Pew.

(W i t n e s s E x c u s e d)

********** **********

C. C. H E R N D O N, a witness in said cause, being by the Commission first duly sworn, testified as follows:

QUESTIONS BY COMR.THOMPSON.

Q Will you state your name and your official position of whatever company you are with?

A C. C. Herndon, Vice President of Skelly Oil Company.

Q What are your present stocks in gasoline in all forms, finished and unfinished?

A As of August 25, 1939, 474,894 barrels.

Q How does that compare with a year ago?

A These figures are 7,369 barrels higher than on the same date last year.

Q What has been the change in your stocks since March 31, gasoline stocks, this year?

A Our approximate gasoline stocks are 351,720 barrels lower than March 31, 1939.

Q How much of your present stocks of gasoline are needed to fill pipe lines and tankers?

A None.

Q What is your present crude oil inventory?

A 510,000 barrels on August 25, 1939.

Q How much of this crude is needed to fill pipe lines and tankers, and how much tank bottom?

A None on tankers, on pipe lines and tank bottoms, 102,956 barrels; leaving net available merchantable crude stocks of 407,211 barrels.

Q What if any changes have there been in your crude inventories since

March 31, 1939?

A Our available merchantable crude stocks were 146,493 barrels lower on August 25 than on March 31, 1939.

Q What is the proper economic level for gasoline stocks as of October 1, 1939, January 1, 1940 and April 1, 1940?

A Mr. Commissioner, like the gentleman of the Socony-Vacuum, we misinterpreted that question.

Q I am glad you did. Have you got an overall figure?

A We have an over-all estimate made under our method, because we don't have an economist.

Q You just did the best you could without an economist or statistician?

A Just in a country-boy way.

Q What is the country-boy figure?

A On gasoline as of October 1, 1939 we estimate that; perhaps I should say guess, 60,000,000 to 62,000,000 barrels as of January 1, 1940, 63,000,000 to 65,000,000 barrels, and as of April 1, 1940 eighty to eighty-two million barrels.

Q On crude?

A On crude oil. It is very difficult with the information we have available to arrive at a figure that could be supported, but our guess would be somewhere in the neighborhood of 230,000,000 to 240,000,000 barrels, and answering the last part of the question, these figures are inclusive of tank bottoms.

Q They are included?

A Yes, sir.

Q What were your gasoline stocks as of December 1, 1938?

A December 12 is the date.

Q Go ahead and give us the 12th.

A 425,272 barrels.

Q What do you expect your gasoline to be December 12, or whatever date you have?

A December 1, 1939, on this question, around 350,000 barrels, which was approximately the minimum working stocks in our case.

Q What were your crude stocks as of December 1, 1938?

A 490,000 barrels.

Q Do you expect your crude inventory -- what do you expect your crude inventory to be December 1, 1939, assuming normal conditions?

A around 250,000 to 300,000 barrels.

Q What will be your policy with regard to inventories from now until December 1, 1939, assuming normal conditons?

A In pursuance of the usual course of events in our company, there should be a reduction of gasoline stocks from now to December on the order of one hundred to one hundred fifty-five thousand.

CHAIRMAN SMITH. The next Company will be the Ohio Oil Company. After that will be, the one after that will be the Tide Water Associated, and after that the Pure. Will the Pure, the Tide Water, and the Ohio all move down here?

QUESTIONS BY COMR. THOMPSON.

Q What factor does your company consider and how does it determine the price at which it sells gasoline and refined products?

A We have to sell gasoline upon the daily market as determined by published prices in the trade journals, and by the actual competition that we encounter.

Q Do you believe in a fair price?

A Yes, I do, Mr. Commissioner.

Q What do you mean by a fair price?

A I mean, ideally, a fair price for gasoline less fundamentally a fair price for crude oil that will compensate the producer fairly for his investment, his risks and the degree of curtailment that he is subject to in carrying out and through a scheme of conservation; then upon that fair price to the producer there must be considered the transportation, the processing, merchandising costs, plus a reasonable profit to the several units engaged in that operation, and there emerges then a fair price to the consumer. Naturally that ideal condition can not always, indeed, can not usually exist, in these later years.

Q Do you think that there should be a relationship between the price of crude and the price of gasoline?

A I do.

Q Have you or have you not seen crude go up and gasoline go up, or gasoline go up and crude go down, contrary to the usual laws of economics?

A I have, because the competitive conditions in the oil industry are not intense, but they are very complex.

Q Have you or have you not, in your experience, seen gasoline selling right at the refinery than 20 miles farther away; gasoline coming from the same refinery fifty or sixty miles away?

A I don't recall that I have seen that, but I daresay the conditions have existed at that time and place.

Q Would your company purchase crude oil under any conditions for storage, and if so, how much and under what conditions?

A Understanding the word " storage " to simply a deliberate policy of accumulating crude oil in storage, the answer is no. In serving our customers we might at some time and at some place accumulate storage of oil which we did not want, in taking care of the fluctuations and laws of averages in the business.

Q What is the amount, or how much is field storage in barrels today?

A How much field storage? I wouldn't undertake to answer.

Q You have heard the figures.

A I don't know the figure. I could not answer.

Q It is a large amount, is it not?

A I daresay it is.

Q Under proration the necessity of a large amount of storage has become less and less important, hasn't it?

A Quite so. We think, as somebody expressed today, that by far the best storage and the cheapest storage for crude oil is in the natural reservoir.

Q In your experience is there evaporation of crude oil in field storage?

A Yes.

Q Is it appreciable?

A Yes, it is appreciable.

Q How much does it cost, in your opinion, to store oil in field storage?

A I think a figure of twenty cents a barrel is not a bad figure.

Q Does your company favor the enactment of laws and the enforcement of laws to promote the conservation of oil and gas in all oil producing states?

A We do.

Q In the interests of conservation, does your company favor there being an outlet provided for the full production of all stripper wells before any oil is purchased from flush fields, and will your company cooperate in accomplishing such an objective?

A We do.

Q Will your company cooperate in accomplishing this end?

A We will.

Q Does your company favor the allocating of the balance of each state's allowable equitably among the prorated fields of each state, and will your company cooperate in seeing that the oil is purchased as allocated and thus eliminate selective buying?

A We do, and we will.

COMR. THOMPSON. I have no further questions, Mr. Chairman, of this witness.

CHAIRMAN SMITH. If there are no further questions he will be excused.

(W i t n e s s E x c u s e d)

* *

CHAIRMAN SMITH. Somebody wanted the Magnolia witness to come back to the stand. Will you come around?

- - - - - - - - - - - - - -

R. M. C H A N, recalled, testified as follows:

QUESTIONS BY MR. DE LANEY.

Q You are the gentleman who was on the stand testifying a moment ago for the Socony-Vacuum?

A No, I was on earlier this morning.

Q They have the wrong man, I wanted the economist.

A Oh, I am not an economist.

(W i t n e s s E x c u s e d)

- - - - - - - - - - - - - -

A. J. Mc I N T O S H, recalled, testified as follows:

CHAIRMAN SMITH. Get up close to the microphone and give your name and address.

Q My name is W. D. DeLaney, Ada, Okla.

QUESTIONS BY MR. DE LANEY.

Q Mr. McIntosh, in making your studies, I believe you said you did not have access to the names and records of other companies. Now, do you have access to the records of Socony-Vacuum and Magnolia?

A I have access to the records of Socony-Vacuum and Magnolia.

Q You testified that in Oklahoma there was above ground a surplus of twenty-two million barrels in excess of the normal necessary requirements for stored oil in that state. Does that include any oil held in storage by Magnolia or Socony-Vacuum?

A If the Magnolia had crude of Oklahoma origin above its requirements, it was included. I haven't that kind of separation with me now.

Q You have seen those figures, haven't you?

A Yes.

Q Well, give your best estimate.

A I can't give you an estimate of something that I have not seen for a long time, and I don't recall that particular figure.

Q Let me ask you to state if it is a fact that muc f the oil that is in storage in that twenty-two million barrel surplus that you referred to is oil that was purchased in Oklahoma City by your company at from ten to 35¢ per barrel?

A I don't see how that conclusion could possibly be from the figures, because Socony-Vacuum in all of its operations in the United States, I stated that we had a surplus above requirements of a figure of only, 4,846,CCO barrels of crude of all origins, and therefore I could not imagine that any appreciable amount of that would be of oil of just Oklahoma origin, and therefore it could not be any large part of a figure of the size of twenty-two million barrels.

Q Now, from what book did you obtain the information that there is a surplus of twenty-two million barrels of oil of Oklahoma origin?

A That was a computation that I personally made at the request of the Railroad Commission. They requested of myself and everybody else that appeared at the December meeting to state what they thought was the economic stocks of crude, motor fuel and gasoline of that year, and I made such a calculation, and in the case of Oklahoma, because of them asking that particular thing, the figure I put in for the Oklahoma stock was 87,667,000 barrels, which was there then, their present stock, less 30,000,000 barrels surplus which I conceived to be the surplus, which then would have given them a supply, according to my calculations, of 89 days' supply, which was all I could see that Oklahoma should have, and it might be even a gain on the high side. At present their figure on July 31, to make the record clear, on July 31, according to the records published by the Bureau of Mines, you had 69,600,000 barrels. That was before the shut down. That would have to be modified by what has taken place since that time, which unquestionably has been to reduce that surplus.

Q Have you made, or can you make an estimate of how much of the present stocks of crude oil in storage and gasoline in storage has been reduced by reason of the shut down?

A I have been away from the office about a week and since that time I think two reports have come in, and I think the Texas Railro d Commission here has much later and up to date information than I have, except that I do know, and everybody must know that crude oil inventories have been withdrawn to a considerable number of million barrels since the shut-down. It must be so much a day; when you are consuming roughly 3,600,000 barrels and producing in the neighborhood -- I don't know what the last figures sho I haven't seen them, they must be below three million barrels.

The Railroad Commiss n has the figures and they would be much better informed that I am.

Q You said that a surplus of 225,000,000 barrels would represent what in your opinion was a desirable amount of storage above ground. Would you say that 250,000,000 barrels was a dangerous excess?

A I think that is a re-statement of the question that was propounded to me by the other questioner, and I thought that I gave a complete answer to that by reading what I stated last December, and that is that anything below 250,000,000 barrels would have to be watched very carefully, and I think I have read that verbatim, and that would cover the ground.

MR. DE LANEY. That is all.

CHAIRMAN SMITH. Did you give your name to the Secretary?

MR. DE LANEY: Yes, sir.

CHAIRMAN SMITH. Whom do you represent? DE LANEY. Myself
CHAIRMAN SMITH. The Commission recognizes Mr. H. P. Nichols of East Texas.

MR. H. P. NICHOLS: (Reading)

"At a meeting of the Board of Directors of the East Texas Oil Association at its office in Kilgore, Texas, on August 24th, 1939, the following resolution was unanimously passed;

"Resolved: That we, the directors of the East Texas Oil and Gas Association go on record as favoring the continuance of a complete shut down of producing oil wells until such time that crude oil stocks above ground have been sufficiently reduced to permit the Commission to write a uniform order provinding for the regular seven day per week production without violating the marginal well law, and we respectfully urge that the Commission's new order requiring any further shut downs be applied to all gasoline plants, re-cycling plants, distillate wells, and all oil fields in the state without fear or favor to any field, and that no special allowables be granted until the subject matter has been submitted at a state-wide proration hearing.

"We recommend that the state allowable be held under the Bureau of Mines estimated market demand, and that the allowable for the state be equitably allocated to the various fields of the state.

"Be it further resolved that our organization extends its thanks to the proration officials of other oil producing states who have cooperated in this shut down move and invite their continued cooperation until the present prices have been removed and regular production can be resumed without waste of our great natural resource."

* *

E. E. F O G E L S O N, a witness in id cause, being by the Commission first duly sworn, testified as follows:

MR. FOGELSON. This is a statement and petition prepared by the Independent Petroleum Association of Texas.

The Independent Petroleum Association of Texas respectfully petitions the Railroad Commission of Texas to consider the following facts and conclusions in the promulgation of further oil and gas proration orders, rules and regulations.

The Independent Petroleum Association of Texas, throughout its long life, has been committed to the principle of conservation of the oil and gas resources of this State. It has shown constant fidelity to this cause by consistently and seriously supporting the Railroad Commission in its every effort to prevent physical waste of oil and gas. This association has in the past, is now, and will in the future, continue to support the Railroad Commission in the enforcement of its orders designed to prevent physical waste of these essential resources.

This Association is equally as well known for its unalterable opposition to Federal control of the production of oil within the boundaries of the soverign states. It believes that price fixing, whether by Government or monopoly, is unconstitutional and inimical to the genius of a free people. It believes that when a State Government has, through the resonable exercise of its police powers, prevented physical waste of its natural resources that it has then done all that it can legally do, and all that it is desirable for it to do, from the standpoint of conservation.

This Association deplores the recent strife in the oil industry and is firm in its belief that if this Honorable Commission will issue all future orders with the single purpose in mind of preventing physical waste of the oil and gas resources of this State that the economic condition within the industry will take care of itself. That as a result of such action there will be preserved to those engaged in the industry the right, which we hold to be inalienable, of managing and conducting their own business, free from the unwarranted interference of bureaucratic Federal control.

This Association is opposed to any shut downs of the oil fields of Texas, believing such shut downs to be inconsistent with the principles above announced and feeling that in the years to come such action would lead to the regimentation of those engaged in this vital industry, to the everlasting detriment of the American people.

CHAIRMAN SMITH. These resolutions sound good, and for the fear that they might become personal, we are going to recess a little while.

- -

R E C E S S

- -

CHAIRMAN SMITH. Please get seats, gentlemen. Will the representatives of the Standard of Indiana come to the witness stand, please?

The Standard of New Jersey will be the next on the docket.

Then we will call the Shell, the Ohio, the Tide Water, and we will call for the Pure again. If everybody will get quiet we are ready to resume this hearing; we are ready to put a witness on the stand now.

A. W. P E A K E, a witness in said cause, being first duly sworn by the Commission, testified as follows:

QUESTIONS BY COMR. THOMPSON.

Q Will you state your name, the company you represent, and your official position with that company?

A A. W. Peake, Vice President of Standard Oil Company of Indiana.

Q Mr. Peake, what was the position of the Standard Oil Company of Indiana as to present stocks of gasoline in all forms, finished and unfinished?

A Our gasoline stocks, finished and unfinished as of August 1, 1939, 5,257,396 barrels. I would like to state that all inventories refer to, both gasoline and crude, are for Standard Oil Company of Indiana and subsidiaries, exclusive of inventories of Pan American P etroleum Transport Company, and its subsidiaries.

Q Exclusive of Pan-Am?

A Yes, sir.

Q Name the subsidiaries that are included.

A There will be Stanolind Oil & Gas Co., Stanolind Oil Purchasing Co., Utah Refining Company, Pan-American Southern, I think that is about all.

Q How do your stocks of gasoline compare with a year ago?

A On August 1, 1939, inventory 5,257,396 barrels, represents a decrease of 95,072 barrels on gasoline, inventories of 5,352,000 barrels on hand a year ago.

Q What has been the change in your gasoline stocks since March 31, 1939?

A On August 1, 1939, 5,256,396 barrels -- representing a decrease of 187,181 barrels since March 31, 1939.

Q How much of your present gasoline stocks are used to fill pipe lines and tankers?

A None.

Q What is your present crude oil inventory?

A Our net inventory of crude oil on August 31, 1939, was 34,220,268 barrels.

Q How much of your crude oil stocks is needed to fill pipe lines and tankers in route, and how much tank bottoms?

A Our total crude stocks on August 1, 1939 was 34, 220, 268 barrels of which 6,850,043 barrels were unavailable, leaving net available stocks of 27,370,225 barrels.

Q What, if any, change, has there been in your crude inventory since March 31, 1939?

A March 1, 1939 to August 31, 1939 our crude stocks have increased 1,727,642 barrels.

Q What, in your opinion, is the proper economic level of gasoline stocks and crude oil stocks above ground as of October 1, 1939, January 1, 1940, and April 1, 1940?

A We interpreted that question to cover the industry as a whole and not our particular company. I don't have the figures for our particular company.

Q I am glad you made the mistake. Give the figures to us as a whole.

A Our opinion on the gasoline stocks, finished and unfinished, October 1, 1939, 60,000,000 barrels, January 1, 1940, 65,000,000 barrels, April 1, 1940, 75,000,000 barrels.

Q Crude?

A Our opinion of the proper economic level for crude oil stocks for each of the three periods mentioned is 205,000,000 barrels. The above figures includes the oil needed to fill pipe lines and tank bottoms.

Q What were your gasoline stocks as of December 1, 1938?

A Our total gasoline inventory of finished and unfinished gasoline on December 1, 1938, was 4,942,467 barrels.

Q What do you expect your gasoline inventory to be on December 1, 1939?

A Our estimate of our gasoline inventory for December 1, 1939 was 5,106,000 barrels.

Q What were your crude stocks as December 12, 1938?

A Our crude stocks, December 1, 1938, were 37,583,361 barrels.

Q What do you expect your crude inventory to be December 1, 1939, assuming normal conditions?

A On the assumption that the producing operations will be shut down for a total period of 15 days, our crude stocks on December 1, 1939 will be 30,905,406 barrels.

Q What is your company's policy with regard to inventories from now until December 1, 1939?

A With reference to crude inventories, I would say ...at our policy, after the shut down orders in the various states where we purchase have been rescinded, will be to resume our former rate of purchases.

With reference to gasoline inventories our policy from now until December 1, 1939 will be to decrease gradually our gasoline stocks.

Q What factor does your company consider and how does it determine the price it will pay for crude oil?

A The price we will pay for crude oil is determined principally by supply and demand, but consideration is also given to prices paid by competitors and to prices being currently paid for petroleum products.

Q What factor does your company consider, and how does it determine the price at which it sells refined products, gasoline and lubricating oil?

A Prices charges for refinery products, whether the sale be by tank car or tank wagon, or whether made to a dealer or to a consumer, are determined after an analysis of the prices being currently charged for comparable products by our competitors. While it is true that in analyzing the competitive prices, consideration is given to such factors as the cost of crude, tank car spot market quotations, inventories of this company and of the industry as a whole, labor costs, taxes, transportation, etc., these studies are directed more particularly to ascertain whether the company cares at all to sell at the prices established by competiton. In posting prices over the marketing area as a whole an attempt is made to post prices that will return the company a profit. All too frequently prices at which competitors sell render such an attempt impossible.

Q Is the Standard of Indiana the principal price fixer in the northern part of the Mid-continent?

A The Standard of Indiana has been referred to as the market price leader in the midwest territory, I would not say that they are the principal price fixers.

Q What do you mean by market price leader?

A Well, they market a greater percentage of the gasoline and other products in that area than any other one company.

Q If someone did not go along with your views your views would prevail, would they not?

A No, sir.

Q Would your company purchase crude oil for storage under any conditions and if so, how much and under what conditions?

A We would purchase crude for storage whenever necessary to bring the level of our crude stocks up to the point we consider proper for the protection

of our refinery requirements. Moreover, it occasionally happens that we are purchasing crude in a certain area and our refinery requirements for such crude drops. In such case our crude stocks may increase until we can adjust our purchasing situation in such area. Our action in these respects would be governed by economics.

Q Do you consider that crude in field storage is wasteful?

A There is a certain amount of waste attendant upon crude in field storage.

Q Is it cognizable?

A Is it what?

Q Is it cognizable?

A Yes, sir.

Q Is it appreciable?

A Yes, sir.

Q How much does it cost to store oil in field storage above ground per year?

A I don't have that figure, Mr. Commissioner.

Q Well, in round figures, what would you estimate, if you were called upon to make an estimate for the Commission?

A I would guess twenty cents a barrel per year.

Q Does your company favor the enactment and enforcement of laws to promote the conservation of oil and gas in all oil producing states?

A We favor the enactment and enforcement of conservation laws by all producing states similar to the laws now in effect in the several southwestern producing states.

Q Does your company in the interest of conservation and proration favor there being an outlet provided for the full production of all stripper wells before any oil is purchased from flush wells, and will your company cooperate in accomplishing such an objective?

A As a general rule, we favor an outlet for the full production from all stripper wells before any oil is purchased from flush fields, but there are exceptions to this where the cost of obtaining oil from stripper wells is unreasonably high. Our company is cooperating in accomplishing this objective.

Q Under present conditions what would you call unreasonably high, in your definition, per barrel?

A Unreasonably high would be a cost to connect up with stripper wells which is all out of proportion to what can be done in the way of costs in connecting and gathering oil from other areas.

Q I mean, already connected.

A Oh, if already connected, it would depend onthe total amount of oil avail-

able over what area it is to be gathered and factors of that sort. I had in mind the reaching out or extending of facilities to distant fields in order to take care of stripper production, in which case the costs might be excessive and unreasonable.

Q Let's be realistic about this thing; every stripper well at one time or another was a flush well, was it not?

A Yes, sir.

Q It had to be connected in its flush days?

A Yes, sir.

Q Would you desire them now?

A Because they are petering out, no, but somebody else might desire them and somebody else be called upon to connect them.

Q You mean there is a time when you might get rid of them and let somebody else have it.

A That might happen.

Q Does your company favor the allocating of the balance of each state's allowable equitably among the prorated fields of each state, and will your company cooperate in seeing that the oil is purchased as allocated and thus eliminate selective buying?

A We favor allocating the balance of each state's allowables equitably among the prorated fields of each state. The latter part of this question is not clear to us. We can not give to it as written a categorical answer since conditions vary from time to time and different interpretations are placed by different people on "equitable" and on "selective" buying; but by and large, we certainly do cooperate in seeing that the oil is purchased as allocated.

Q You don't think that just because a company has large ownerships in certain fields they should prefer that field, do you?

A I do not.

Q In this magazine called "World Petroleum" on Page 41, I find the purported earnings of the Standard Oil Company of Indiana. It shows net working capital $156,387,150.00 and from that net working capital it shows the income to be $55,950,784.00, is that correct?

A Those figures are a matter of actual record, Mr. Commissioner, I don't know what the writer means by "working capital" or how he arrived at it. The figures of net earnings for that year are correct according to my recollection.

COMR. THOMPSON. I have no further questions of the witness, Mr. Chairman.

JUDGE FOSTER. May I ask Mr. Peake one or two questions, Mr. Chairman?

CHAIRMAN SMITH. Yes, sir.

QUESTIONS BY JUDGE FOSTER.

Q Mr. Peake, if I understood you correctly a while ago, your company and its subsidiaries has in excess, storage crude amounting to about 27,000,000 barrels, is that correct?

A We have a crude storage of over 27,000,000 barrels which is available. I didn't call it excess.

Q Well, is that oil that you would like to run and get rid of instead of carrying on?

A A portion of it is oil which we would like to run and get rid of.

Q How much of it?

A Oh, roughly, approximately twelve or fifteen million barrels.

Q How long has your company had that oil on hand and from what fields did it come?

A I can't answer that accurately. The oil in storage came from fields in Wyoming, Oklahoma, Kansas and Texas, chiefly.

Q Do you know about how much of it came from Oklahoma?

A I think of that twenty-seven million -- well, of the thirty four million, of which about seven million is unavailable, I would say approximately twelve to thirteen million, Oklahoma and Kansas, I don't know the segregation; those figures are a matter of record and if the Commission desires them I will get them. I don't like to be called upon to answer just from memory.

Q About how far back was that twelve or thirteen million barrels accumulated?

A Which twelve or thirteen million barrels?

Q From Oklahoma and Kansas.

A I couldn't say that right now.

Q Do you think it was as far back as ten years ago?

A I think so.

Q Fifteen years ago?

A I don't know.

JUDGE FOSTER. That is all.

CHAIRMAN SMITH. The witness is excused.

(W i t n e s s E x c u s e d)

* *

CHAIRMAN SMITH. Gentlemen, I called a list of five companies a while ago so you could be ready. We are hurrying to get through for your convenience. Standard of New Jersey, please.

The Ohio Company?

- -

R. C. GWILLIAM, a witness in said cause, being by the Commission first duly sworn, testified as follows:

QUESTIONS BY CHAIRMAN THOMPSON.

Q Will you state your name and the company you represent and your official position with that company?

A R. C. Gwilliam, Vice President of the Ohio Oil Company.

Q What are your present stocks in gasoline, finished and unfinished?

A 135,000 barrels.

Q A year ago?

A 346,000 barrels.

Q What changes have there been since March 31, 1939?

A Decrease of 302,000 barrels.

Q What amount of gasoline is needed to fill pipe lines and tankers?

A None.

Q What is your present crude oil inventory?

A 9,944,797 barrels.

Q How much is needed to fill pipe lines and tankers in route and tank bottoms?

A I don't have that figure; the crude oil needed to fill pipe lines and tank bottoms is not included in our inventory figures.

Q Net oil available for dispatch where needed?

A The figure that I just last mentioned.

Q I beg your pardon?

A The figure that I last mentioned.

Q I still can't hear you.

A I say, the figure that I last mentioned.

Q What change, if any, has there been in your crude inventory since March 31, 1939?

A A decrease of 367,755 barrels.

Q What are the proper economic levels of gasoline stocks and crude oil as of October 1, 1939, January 1 and April 1, 1940?

A We concluded that as a question asking for over-all picture and I don't have the data available to make the estimate.

Q Give it over-all.

A I say, we don't have the data available to make that estimate.

Q You couldn't give us a country-boy estimate?

A No, sir.

Q What were your gasol e stocks as of December 1, 1938

A 244,000 barrels.

Q What do you expect your gasoline inventory to be on December 1, 1939?

A Approximately 197,000 barrels.

Q What were your crude stocks December 1, 1938?

A 10,017,952 barrels.

Q What do you expect them to be December 1, 1939?

A Approximately 9,950,000 barrels.

Q What is to be your policy with regard to inventories from now until December 1, 1939?

A The crude storage will remain about the same, and we will build up our gasoline stocks to cover fifteen days' sales, or 197,000 barrels.

Q What factor does your company consider and how does it determine the price it will pay for crude oil?

A Our company simply produces crude oil and we sell it at the highest price on a competitive basis.

Q To whom?

A Anybody that will pay for it.

Q You don't do any refining?

A Very little.

Q What little you do, how do you make the price of refined products?

A We buy that on a competitive basis.

Q You buy on a competitive basis.

A Yes, sir.

Q How do you sell it?

A We sell refined products on a competitive basis.

Q Would your company purchase crude for storage under any conditions, and if so, what are they?

A Not at present. We can not see any future conditions that would change that policy.

Q Not even war?

A I would have to see the conditions as they came up in the future.

Q You would have to see the war first?

A Yes.

Q Do you think that crude evaporates in field storage above ground.

A Yes, sir.

Q Is it appreciable?

A I think so.

Q What do you consider it costs to store crude per year per barrel?

A I would say somewhere between fifteen and twenty cents per barrel.

Q Does your company favor the enactment and enforcement of laws to promote the conservation of oil and gas in all oil producing states?

A Yes, sir.

Q In the interests of conservation does your company favor there being an outlet provided for the full production of all stripper wells before any oil is purchased from flush fields, and will your company cooperate in accomplishing such an objective?

A In general, yes, where the maximum production may be produced and handled without waste. However, conservation and prevention of waste should be applied in all fields.

Q Is it wasteful to plug and abandon stripper wells making two barrels per day under the present conditions?

A Well, ordinarily, I would say yes.

Q Does your company favor the allocating of the balance of each state's allowables equitably among the prorated fields of each state, and will your company cooperate in seeing that the oil is purchased as allocated and thus eliminate selective buying?

A Our company believes that a fair and equitable allocation should be made among fields and this company will cooperate as far as possible in seeing that the allocated oil is purchased.

Q In this magazine I have been talking about, advertising here today, "World Petroleum" I find the Ohio Oil Company mentioned on page 40. In 1937 it shows that you had a working capital of $28,777,772.00 and that your net income was $11,862,107.00. Does that sound wrong to you? I mean the figures, does it sound correct?

A As I recall the income, that is about correct; I don't know as to the working capital.

COMR. THOMPSON. I have no further questions, Mr. Chairman

CHAIRMAN SMITH. Are there any further questions of the witness?

JUDGE FOSTER. I am sorry, gentlemen, but it seems to me that there is something that is needed that we haven't been getting, and I want to get it. I believe you stated that you had about 9,944,000 barrels of oil on hand?

A That is correct.

Q How much more is that than is your normal requirement for your operations?

A I can't give you that figure; I can furnish it to you or the Commission.

Q You can furnish it?

A Yes, sir.

Q Will you do so?

A I will.

CHAIRMAN SMITH. Witness excused.

(W i t n e s s E x c u s e d)

* *

T. E. S W I G A R T, a witness in said cause, being by the Commission first duly sworn, testified as follows:

QUESTIONS BY COMR. THOMPSON.

Q Will you state your name, the company you represent, and your official position with that company?

A T. E. Swigart, Vice President of Shell Oil, Incorporated.

Q What are your present stocks of gasoline, and that is, in all forms?

A As of August 18, 4,106,000 barrels.

Q How does it compare with a year ago?

A It is down 289,000 barrels.

Q What has been the change in your gasoline stocks since March 31, 1939?

A We have had a reduction of 1,026,000 barrels.

Q How much of your present stocks of gasoline is needed to fill pipe lines and tankers?

A 414,000 barrels.

Q What is your present crude oil inventory?

A As of August 18, again, 5,572,000 barrels.

Q How much of your crude oil stocks is needed to fill pipe lines and tankers, and how much in tank bottoms?

A To fill pipe lines and tankers, 1,000,000, pipe lines and tankers, 1,540,000.

To put in tank bottoms 540,000, that gives a working stock available of 3,492,000 barrels.

Q What if any change has there been in your crude inventory since March 31 of this year?

A Down 1,060,000 barrels.

Q What are the proper nomic levels of gasoline and c .e oil stocks in your opinion, as of October 1, this year, January 1, 1940 and April 1, 1940?

A We think that for our own purposes we should have between six and seven million barrels, and that is a constant figure that is not subject to seasonal fluctuations.

Referring to gasoline, we will have about -- we would choose to have on October 1, 1939, 4,000,000, barrels approximately; January 1, 1940, about 4,500,000 barrels, and April 1, 1940 about 5,500,000 barrels.

Q Do you care to give the figures over-all for the industry, your views; we would appreciate it, if you have them.

A Yes, I will be glad to give you the views of our economist although I am afraid I am not prepared to fight for them. We estimate that the industry's crude stocks should be somewhere two hundred million and two hundred and twenty five million barrels, and we do not see any need for a seasonal variation. Gasoline, we would like to see at sixty million barrels on October 1, 193[illegible], about 65,500,000 barrels on January 1, 1940 and 82,000,000 April 1, 1940.

Q Thank you very much.

A These figures, Mr. Commissioner, include stocks to fill pipe lines and tank bottoms and I included an explanation also that the statistics which I am giving for my company are statistics for all of our operations east of the Pacific Coast territory, but do not include our California operations.

Q What were your gasoline stocks as of December 1, 1938?

A 4,063,000 barrels.

Q What do you expect your inventory to be December 1, 1939?

Q That is, of gasoline?

A About four million barrels.

Q What were your crude stocks as of December 1, 1938?

A 5,418,000 barrels.

Q What do you expect your crude inventory to be December 1, 1939?

A I am afraid that depends on you, Mr. Commissioner.

Q Normal conditions considered?

A We think that there are probably -- under normal conditions we will have about five million barrels, but as I testified previously we would choose to have a little more oil to have comfortable working stocks, but giving effect to the shut down we think that we will have about five million barrels.

Q What is to be your policy with regard to inventories from now until December 1, 1939?

A Our policy will be to gradually increase our crude inventories during the last quarter of the year in order to meet normal export shipments to Canada when navigation opens. As to inventories in general we plan only to maintain the minimum of our needs for efficient operations.

Q Do you think, Mr. Swigart, that there is evaporation of crude in field storage?

A Yes, sir.

Q Is that waste?

A That is physical waste, in my opinion.

Q Is it avoidable physical waste?

A Yes, it can be partially avoided by maintaining crude in the ground in underground storage, and of course, there is always going to be some losses through evaporation for stocks that are needed to be on hand, but those losses can be kept down by various patented types of tanks.

Q What does your company figure it costs to store oil in field storage per barrel per year?

A I am afraid, Mr. Commissioner, that I would have to give you the country boy estimate on that.

Q Just an estimate in round figures?

A Around twenty to twenty-five cents a barrel.

Q That cost has to be borne by the consumer in the end, does it not?

A Yes, sir.

Q What factor does your company consider in determining the price, and how does it determine the price it will pay for crude? For example, what do you consider when you raise the price, and what did you consider when you cut the price, after the shut down was effected?

A We considered the factor of supply and demand, the competitive prices, distance from supply to market, refining value, amount of under market oil being sold to those markets, competition for connections, etc, and all manner and things of that kind.

Q Now, if there was too much oil being offered would that be considered as a factor in reduction of price?

A Yes, sir, in my opinion that would.

Q If there was a complete shut down would that be a contributing factor in the reduction of price.

A I don't think so.

Q Did your company not cut the price after the shut down?

A I believe we cut the figure before the shut down, Mr, Commissioner.

Q What conditions caused you to restore the price, what factor did you consider

A Well, we took a look at the statistical position, and moreover, we took a forward look at the statistical position, assuming that the shut down would be continued, and we considered that the amount of oil that has been taken off the market was sufficient and that a restoration of prices would be necessary. Another point which I think must always be weighed is your ability to buy oil. If you could not buy oil at the old prices you would raise prices in an endeavor to buy the oil immediately.

Q What factors does your company consider and how does it determine the price at which it sells refined products, gasoline and lubricating oil?

A We would consider competitive prices first of all; we would consider quality of product and we would consider supply and demand.

Q Would your company purchase crude oil under any conditions, and if so, how much and under what conditions?

A Our general policy is not to buy crude oil for storage beyond reasonable working stocks, except as to some types required for seasonal use, or because they have some particular merit as to quality and therefore are subject to forward buying in order to insure their availability to the refinery We do not speculate.

Q Does your company favor the enactment and enforcement of laws to promote the conservation of oil and gas in all oil producing states?

A Yes, sir, we favor state enactments and enforcement of good conservation laws in all oil producing states?

A Yes, sir, we favor state enactments and enforcement of good conservation laws in all oil producing states.

Q In the interests of conservation does your company favor there being an outlet provided for the full production of all stripper wells before any oil is purchased from flush fields, and will your company cooperate in accomplishing such an objective?

A Yes, we favor accomplishing such an objective and are willing to cooperate to the extent that we are able with our existing pipe line connections, bearing in mind that consideration must always be given to the cost of moving any oil to its ultimate market.

Q Naturally we are considering wells already connected.

A Yes, sir, I assumed that you meant that, Mr. Commissioner.

Q Does your company favor the allocating of the balance of each state's allowables equitably among the prorated fields of each state, and will your company cooperate in seeing that the oil is purchased as allocated and thus eliminate selective buying?

A We favor it in general, and will cooperate by purchasing in fields to which we have existing connections, provided the purchase price in such fields is commensurate with the cost and refining value. However, I think that I have stated that we can not subscribe wholly to the principle that a barrel of oil is a barrel of oil, and exceptions sometimes have to be made for reasons of quality or refining equipment?

Q You mean lubricating stocks?

A Yes, we have no lubricating oil on the Gulf, and naturally forcing us to buy lubricating oil on the Gulf would be a hardship on us.

Q You mean asphalt, for road work, for example?

A We happen to have one plant on the Gulf which makes asphalt.

Q This oil won't blow a refinery up just because it is a little different?

A I think I should qualify any further statement with the assertion that I am not a refining man; I am really very much of a layman when you get to asking me these detailed questions about refining.

Q In this magazine called "World Petroleum" over on page 41 I find the issue of August, 1939, says, the Shell Oil Company here, in the month — in the year 1937 had a net working capital of $54,800,184.00, and a net income of $20,668,880.00. Is that incorrect, or about right?

A Mr. Commissioner, I would like to state that I don't recognize that working capital. I really don't know whether that is right, or what it means; the profit figures are pretty close. The picture is approximately correct.

Q The net income is approximately correct?

A I remember quite well, Mr. Commissioner, because it was the best year we had since 1929; otherwise I might not remember it.

COMR. THOMPSON. That is all of the questions I have, Mr. Chairman.

CHAIRMAN SMITH. Any further questions of the witness?

MR. JACK BLALOCK. I would like to ask a question.

Q Mr. Swigart, you testified that there was appreciable waste that took place in the storing of crude petroleum above ground in field storage. I would like to ask what is the percent of evaporation in a barrel of oil of any given gravity that you would like to choose -- after -- that takes place in the most modern approved field storage with patented applicances to which you referred, after the first two weeks that it has been in storage?

A Mr. Blalock, I really can not answer that question; that is a highly technical question, and frankly, I don't know, but I do know that evaporation losses in some of the modern storage with these patented are held to

very low levels, and the Bureau of Mines has, I believe, a great deal of information on that, and I am sorry that I can not answer that question.

Q You are familiar with the fact that a study was made by the Bureau of Mines with reference to that question recently, an appropriation made by Congress, and evaporation was shown to be in some instances less than one percent over a period of 15 years, aren't you?

A I am not familiar with that, but I can easily believe that such low figures might result from modern storage.

Q Now, Mr. Swigart, as a matter of practical knowledge, the great percentage of evaporation that takes place from a barrel of crude petroleum takes place after its production, and between the well head and the putting in the tank, and after it has been there for the first several days, doesn't it?

A I am afraid, Mr. Blalock, I am a little out of my place but I think you are right. That is only an opinion, however.

Q If I do happen to be right, that evaporation would take place regardless of when the oil was produced, whether it is produced now or ten years from now, would it not? In other words, if the evaporation that takes place is within the first several days after the oil is produced, then that evaporation would take place regardless of the year in which the oil was produced?

A Yes, sir.

Q Thank you very kindly.

CHAIRMAN SMITH. Any further questions of the witness? If not, you are excused.

- - - - - - - - - - - - - - - - - - - -

E. L. S H E A, a witness in said cause being by the Commission first duly sworn, testified as follows:

QUESTIONS BY CO:R. THOMPSON.

Q Will you give your name, the company you represent and your official position with that company?

A E. L. Shea, Second Vice President Tide Water Associated Oil Company.

Q What are your present stocks of gasoline in all forms?

A Mr. Commissioner, the figures that we are submitting are exclusive of California and are on the basis of the Bureau of Mines, similar to this report that we have submitted to your body.

Q So that they will be comparable with the figures filed in December, and March, will they not?

A Yes, Mr. Commissioner, our figures are estimated at August 31, on that, and we estimate 890,000 barrels of gasoline.

Q How does that compare with a year ago?

A A reduction of about 150,000 barrels.

Q What change has there been in your gasoline stocks since March 31?

A A reduction of about 620,000 barrels.

Q How much of your present gasoline stocks are needed to fill pipe lines and tankers?

A We require a working stock of approximately 800,000 barrels.

Q That would leave 90,000 then to fill your tankers and pipe lines.

A The 800,000 barrels working stock is exclusive of terminals and tankers, we have very little in the way of pipe lines.

Q What is your present crude inventory?

A Estimated August 31, 3,100,000 barrels.

Q How much of your stock is needed to fill pipe lines, tankers and tank bottoms?

A We estimate a minimum working stock of approximately 2,250,000 barrels.

Q What, if any, changes have there been in your crude inventory since March 31, 1939?

A Estimating our stocks as of August 31, a reduction of 1,760,000 barrels.

Q What in your opinion are the proper estimates of economic levels of gasoline stocks and crude oil stocks above ground as of October 1, 1939, January 1, 1940 and April 1, 1940?

A Mr. Commissioner, we made some horse-back guesses or country boy guesses on the over all position of the industry.

Q We would appreciate having that.

A Gasoline October 1, 58,000,000, January 1, 65,000,000 April 1, 80,000,000 Crude oil, October 1, 245,000,000, January 1, 230,000,000, April 1, 235,000,000.

Q What were your gasoline stocks as of December 1, 1938?

A 1,112,000 barrels.

Q What do you expect your gasoline inventory to be December 1, 1939?

A Approximately 750,000 barrels, a reduction of about 135,000.

Q What were your crude stocks December 1, 1938?

A 4,269,000 barrels.

Q Do you expect your crude inventory -- what do you expect it to be December 1 granting normal conditions?

A We would like to see them about the present estimate, 3,100,000 barrels.

Q What is to be your policy or the policy of your company with regard to the inventory from now until December 1, 1939; what is to be the plicy of your

company with regard to inventories from now until December 1, 1939?

A We would like to maintain our present stocks of crude in balance.

Q What factors does your company consider, and how does it determine the price that it will pay for crude oil?

A In no producing field are we a sufficiently dominating purchasor to initiate changes in the posted price for crude oil. It has therefore been our custom to merely meet competitive conditions and follow the changes made by major buyers in the fields where we post prices.

We follow the changes up and down, we are a little independent, and we follow competition.

Q What factors does your company consder and how does it determine the price at which it sells its products?

A Presently speaking, we have to meet competitive prices.

Q Who fixes the prices?

A No one company fixes the prices, Mr. Commission; according to the way we look at the situation.

Q You think there is an even flow of price?

A A great many factors which enter into the establishment of a price for any one product, a very small amount of any one material, will establish that market price.

Q Will your company purchase crude oil for storage under any conditions, and if so, how much, and under what conditions?

A It is not our policy to store more than a nominal working stock.

Q Does crude evaporate in field storage?

A I am told that it does, Mr. Commissioner.

Q Are you told that it doesn't?

A That it does evaporate.

Q Do you know whether or not it is appreciable?

A I think that is dependent upon the condition of the storage and the time of the year and several other factors.

Q What does it cost your company per year to store crude?

A It depends upon the way that the crude is stored, the type of crude and the condition of the tankage.

Q The present conditions and the present time?

A We would have to give you a range, Mr. Commissioner, it might vary from fifteen to twenty five cents a barrel.

Q Does your company favor the enactment and enforcement of laws to promote the conservation of oil and gas in all oil producing fields?

A We do favor the enactment and enforcement of conservation laws in all oil producing states to prevent waste and inefficient production of crude oil reserves, and we favor the equitable enforcement of those laws.

Q In the interest of conservation does your company favor the allocating, or, there being an outlet provided for the full production of all stripper wells before any oil is purchased from flush fields, and will your company cooperate in accomplishing such an objective.

A In principle, we do, Mr. Commissioner; we have a number of stripper wells, and we appreciate the problem of the stripper well operator. However, with gathering facilities in only a few fields, and limited trunk line facilities we are not in a position to be of major assistance in supplying outlets for old fields.

Q Those that you are hooked up to already, connected up, your idea is that they should be carried on?

A In principle, yes, Mr. Commissioner.

Q Does your company favor the allocating of the balance of each state's allowable equitably among the prorated fields of each state, and will your company cooperate in seeing that the oil is purchased as allocated, and thus eliminate selective buying?

A We do favor the allocating of each state's allowable equitably, among the prorated fields of each state, and we will endeavor to cooperate to the best of our ability. However, we have limited facilities and we can not eliminate entirely the selective buying of crude oil. However, with limited refining facilities and seasonal demands for the different kinds of refined products, we must be selective in the types of crude run to meet demands for certain products and avoid over producing others.

Q In this article in World Petroleum, is shown Tide Water Associated Oil Company; is that your company?

A I work for the Tide Water Associated Oil Company.

Q Net working capital of $42,019,706.00, and under the net income it shows $15,801,383.00, are those figures incorrect?

A For what year was that, Mr. Commissioner?

Q 1937.

A According to the best of my recollection, 1937 -- in that year our company had over $200,000,000 investment, I don't know what they referred to as net working capital, that year happened to be our best year, and I wish our stockholders were here to hear the report.

Q Was the net income correct?

A I think that is approximately correct.

COMR. THOMPSON. I have no further questions of the witness.

(W i t n e s s E x c u s e d)

* *

CHAIRMAN SMITH: We will call the Pure again.

Now, will all of the representatives of the companies whose names have not been called come up to the desk, please. We want to do some fast work now. All of those companies who have answered to those questions or prepared them, bring them up and you can file them with the Reporter.

Now, will you come forward promptly, please, gentlemen?

- - - - - - - - - - - - - - - -

MR. HENRY ZWEIFEL, President of Cosden Petroleum Corporation, received no questionnaire, and was furnished its questionnaire at the meeting with permission to submit it and file it later.

* *

(Thereupon each of the following witnesses was duly sworn, and each of them filed a statement or questionnaire, in answer to the questions propounded by the Railroad Commission of Texas to such oil companies and each stated that such statement constituted his testimony the same as if given in full from the witness stand.)

D. R. SNOW, For Barnsdall Oil Company.

F. C. CLARK, For Crown Central Petroleum Corporation.

_____, Representing Atlantic Refining Company.

MR. RAYBOURNE THOMPSON, as attorney for the Pure Oil Company

Mr. G. O. IRVINE, Representing American Petroleum Company, stated that his statement was filed and mailed in to the Houston office.

MR. WARREN A. SINSHEIMER, Vice President Petroleum Advisers, Inc., submitted statement of Cities Service Company.

MR. E. R. TURNER, Representing Pan-American Petroleum and Transport Company and subsidiaries.

MR. R. B. KAHLE, President of the Eastern States Pet. Co., Inc.

MR. C. E. YAGER, Vice President of Texas-Pacific Coal & Oil Co.

MR. D. W. HOVEY, Vice President of Republic Oil & Refining Co.

MR. J. G. DYER, Vice President of Continental Oil Company

MR. W. G. ROTHERMEL, Representing Maritime Oil Company

MR. O. L. CORDELL, President of Barnsdall Refining Company

D. R. SNOW, for Barnsdall Oil Company.

Railroad Commission of Texas,

Austin, Texas.

Gentlemen:

Receipt is acknowledged of your letter of August 19, 1939, and in compliance with the request contained in this letter, there follows answers to the questions that pertain to the Barnsdall Oil Company and the Barnsdall Pipe Line Company.

Question No.

5. What is your present crude oil inventory?

A. August 16th, 7 A.M., 614,000 barrels.

6. How much of your crude oil stocks are needed to fill pipe lines, tankers en route? How much of it is tank bottoms? In short, how much crude oil does each company have that is immediately available in tanks in condition to be dispatched where needed?

A. Pipe line — 18,000 barrels.

For Tanker Shipments 200,000 barrels.

Tank bottoms 100,000 barrels.

Total 318,000 barrels available, 296,000 barrels but sold under contract.

7. What if any, changes have there been in your crude inventory since March 31, 1939?

A. March 31, 1939, 434,000 barrels.

August 16, 1939, 614,000 barrels.

An increase of 18,000 barrels.

8. What are the proper economic levels of gasoline stocks and crude oil stocks above ground at October 1, 1939, January 1, 1940, April 1, 1940? Do these figures include the oil that goes to fill pipe lines and tank bottoms?

A 225,000,000 barrels is recommended for all three dates. However, allowables should be allocated so that there will be a proper distribution of this amount of crude. These figures include the oil needed to fill pipe lines, tank bottoms, etc.

Gasoline stocks recommendation;

October 1, 1939, 55,000,000 barrels

January 1, 1940, 60,000,000 barrels

April 1, 1940, 65,000,000 barrels

11. What were your crude stocks as of December 12, 1938?

A 295,000 barrels, December 12, 1938, 377,500 barrels, December 1, 1938.

12. What do you expect your crude inventory to be as of December 1, 1939?

A. Depends on allowable. If allowables before shut down are reinstated, the inventory will be 69,587 barrels, which from the foregoing figures, you can readily see will be 230,413 barrels less than we have to have for tank bottoms and working stocks, in order to fill our existing sales contracts.

13. What is to be your policy with regard to inventories from now until December 1, 1939?

A. The answer to Question No. 12 shows our inventory as of December 1, 1939,to be 69,587 barrels. This is against our policy, as we would very much like to be able to purchase enough oil to meet our contractual obligations and to have a minimum of 300,000 barrels inventory. We have tried, unsuccessfully, since the shut down to purchase crudes of the type needed by us and the allowables to the producers along the Barnsdall's pipe lines are insufficient to meet our demand.

14. What factors does your company consider and how does it determine the price it will pay for crude oil?

A. The main factor considered by this company is competition, which, in nearly all instances, is the price posted by the major purchasing companies in the area from which we are purchasing. However, other factors, such as type and quality of crude, are considered.

16. Would your company purchase crude oil for storage under any conditions and if so, how much and under what conditions?

A. Yes. Provided, in our judgment, the price was low enough that we thought we could make a profit by an increase in price in a short time, the amount depending upon storage capacity which we would have at the time such condition existed. However, our company believes that underground storage should be used and we would not be interested in purchasing crude oil for storage in tanks under any other condition.

17. Does your company favor the enactment and enforcement of laws to promote the conservation of oil and gas in all oil producing states?

A. It most assuredly does.

18. In the interest of conservation, does your company favor there being an outlet provided for the full production of all stripper wells before any oil is purchased from flush fields and will your company cooperate in accomplishing such an objective?

A. Our company feels that the great number of small wells in the so-called stripper areas must be protected through assurance of a permanent outlet for their crude production. Some definite policy, however, must be set up for the determination of definition of a stripper well and a stripper area. A suggested definition of a stripper well is a "well capable of producing more than 5 barrels per day." We believe the Commission should designate certain areas as "stripper areas." These areas, however, should be so supervised that new wells or extensions would be properly classified and prorated.

We would cooperate in accomplishing such an objective, and of course, will cooperate with the Commission in any Order it makes. It is our idea that the vast amount of reserves underlying stripper wells will be badly needed some time and probably in the near future and every effort should be made to justify a continuous operation of stripper wells.

19. Does your company favor the allocating of the balance of each state's allowables equitably among the prorated fields of each state and will your company cooperate in seeing that the oil is purchased as allocated and thus eliminate selective buying?

A. It always has and always will be in the future the policy of the Barnsdall Oil Company and the Barnsdall Pipe Line Company to cooperate with the Commission in seeing that any order it writes is carried out. However, the following is offered for the consideration of the Commission.

It is thought that over 200,000,000 barrels of the approximately 267,500,000 barrels above ground crude oil storage is owned by a very few major companies. It is also thought that these same companies own approximately 50,000,000 barrels of the approximately 76,000,000 barrels of gasoline storage. In view of this thought, it is suggested that the Commission ascertain who the holders of these stocks are and allocate production along their lines so that they will be forced to reduce their stocks and at the same time ascertain who is in need of crude and allocate the production along their lines so that their needs will be taken care of.

The terms or expressions "equitably among the prorated fields" and "selective buying" need to be defined. We would define equity as fairness or impartiality. To distribute allowables "equitably among the

prorated fields" should, therefore, mean to distribute allowables on a fair or impartial standard. It is our idea that such a standard should be based on various factors such as: Physical waste, local refinery demands, purchasers nominations and the good faith thereof, and desirability of crude oil for refining and other purposes. Certain types of crude are essential to the proper operation of certain types of refineries and, therefore, there are demands for specific types of crude. It is necessary to consider the characteristics of crude and the source of such crudes in making an equitable distribution of allowable.

"Selective buying" is an economic condition and, in our opinion, can not be eliminated by an arbitrary rule. Recovery values should be considered in establishing the price on various grades of crude oil. Equity therefore, should require the consideration of crude types.

We believe that to determine "equitable" allocation consideration must be given to each purchaser's storage so that the result of such allocation will reduce the excess stocks of those with surplus and replenish the depleted stocks of those in need of legitimate working supplies. In this manner, the crude storage situation will be stabilized. Such stabilization should also balance gasoline stocks since it is our belief that the owners of excess crude stocks have in storage considerable amounts of excess gasoline stocks at their affiliated refineries.

Having answered all of the questions to the best of our ability, we wish to congratulate the Commission on its farsighted and unprecedented Order of August 15th, 1939, in shutting down all the wells in the State of Texas. Conditions were chaotic and waste was imminent if the production of oil had been continued. We sincerely hope the 15 day shut down will meet the situation and that the objective sought by the Commission will be obtained. However, if it is not, we urge that the Commission continue the shut down of all wells until the objective can be obtained, or that allowables be so adjusted that the objective will be obtained in the shortest possible time. If this is not done, one of the Nation's greatest industries will have to be operated at an overall loss, which is certainly waste.

- - - - - -

BARNSDALL PIPE LINE COMPANY
CRUDE OIL PURCHASES AND SALES FORECAST
AUGUST 1, 1939 to JANUARY 1,1940

	AUGUST	SEPT.	OCT.	NOV.	DEC.	JAN.
BEGINNING INVENTORY						
High Gravity	155,000					
Low Gravity	528,000					
TOTAL	683,000					
PURCHASES - DAILY AVERAGE						
High Gravity						
East Placedo	360	360	360	360	360	360
Heyser	6,000	6,000	6,000	6,000	6,000	6,000
Keeran	640	640	640	640	640	640
Corpus Christi	100	100	100	100	100	100
TOTAL	7,100	7,100	7,100	7,100	7,100	7,100
TOTAL FOR MONTH	*110,000	213,000	220,000	213,000	220,100	220,100
Low Gravity	2,100	2,080	2,060	2,040	2,020	2,000
McFaddin						
Placedo	5,300	5,225	5,150	5,070	5,000	4,925
Greta	475	470	465	460	455	450
TOTAL	7,875	7,775	7,675	7,570	7,475	7,375
TOTAL FOR MONTH	**132,062	233,250	237,925	227,250	231,725	228,625
TOTAL PURCHASES	242,062	446,250	458,025	440,250	451,825	448,725
SALES - MONTHLY AVERAGE						
High Gravity						
Pontiac Refg. Corp.	152,000	160,000	100,000	-	-	-
Republic Oil Refg.Co.	-	90,000	93,000	90,000	93,000	93,000
Barnsdall Refg. Corp.	25,000	-	-	123,000	127,100	127,000
TOTAL	177,000	250,000	193,000	213,000	220,100	220,100
Low Gravity						
Barber Asphalt	-	75,000	75,000	150,000	150,000	75,000
Belgian Gulf Oil Corp.	65,000	75,000	75,000	75,000	75,000	75,000
Cities Service Oil Co.	90,000	-	90,000	90,000	90,000	40,000
Barnsdall Refg.Corp.	79,000	114,000	114,000	100,000	100,000	100,000
TOTAL	234,000	264,000	454,000	415,000	415,000	290,000
TOTAL SALES	411,000	514,000	647,000	628,000	635,100	510,100
ENDING INVENTORY						
High Gravity	88,000	51,000	78,100	78,100	78,100	78,100
Low Gravity	426,062	395,312	179,237	-8,513	-191,788	-253,165
TOTAL	514,062	446,312	257,337	69,857	-113,688	-175,063
Less Working Stock & Bottoms	300,000	300,000	300,000	300,000	300,000	300,000
NET AVAILABLE STOCK	214,062	146,312	-42,663	-230,413	-413,688	-475,063

*This figure based on one-half of August allowable due to shut down.

**This figure based on one-half of August allowable plus about 10,000 barrels from Placedo Water Wells,

- A dash preceding the figures indicates red ink figures.

F. C. CLARK for the Crown Central Petroleum Corporation.

1 - Q What are your present stocks in gasoline in all forms, finished and unfinished?

A Gasoline, August 21, 1939, 7:00 A.M., Houston, 183,864 barrels, Terminals, 64,420 barrels, Total 248,284 barrels.

2 - Q How does this compare with a year ago?

A Gasoline, August 31, 1938, 174,538, Houston, Terminals, 121,094, Total 295,632.

Change, increase, Houston 9,326, decrease, terminals 56,674, Total 47,348.

3 - W What has been the change in your gasoline stocks since March 31, 1939?

A Gasoline, March 31, 1939, Houston, 49,367, Terminals, 86,216, total 135,583.

Change, increase, Houston, 134,497, total 112,701. Decrease, terminals, 21,796.

4 - Q How much of your present stocks of gasoline is needed to fill pipe lines and tankers?

A. Tank bottoms and Lines, Refinery 8,500, transit terminals -0-, total 8,500; Eastern terminals, tank bottoms and lines, 3,000, transit terminals, 30,000, total 33,000; Total tank bottoms and lines, 11,500, transit terminals, 30,000, total 41,500.

5 - Q What is your present crude oil inventory?

A Crude Oil, August 21, 1939, 7:00 A.M.

	Owned by C.C.P.C.	Owned by others	Total
Refinery	126,852	86,473	213,325
Bruni	4,142		4,142
Texas Company - Mirando	7,371		7,371
Texas Pipe Line Co.	42,575		42,575
Cordele Pipe Line Co.	1,274		1,274
Saxet	34,299	23,189	57,488
Total	216,513	109,662	326,175

6 - Q How much of your crude oil stocks are needed to fill pipe lines, tankers en route? How much of it is in tank bottoms? In short, how much crude oil does each company have that is immediately available in tanks in condition to be dispatched where needed?

A	Tank Bottoms & Lines	Transit to Ref.	Total
Refinery	38,000		38,000
Saxet--Trans.Corp.	7,300	15,000	22,300

	Tank Bottoms & Lines	Transit to Ref.	Total
Cordele	2,000	10,000	12,000
Mirando	3,000	15,000	18,000
Eureka		7,500	7,500
Total	50,300	47,500	97,800

Available for refinery 118,713.

7 - Q What, if any changes have there been in your crude inventory since March 31, 1939?

A Crude, March 31, 1939,

	Owned by C.C.P.C.	Owned by Others	Total
Refinery	303,867		303,867
Bruni	11,085		11,085
Texas Co. Mirando	8,869		8,869
Texas Pipe Line Co.	60,577		60,577
Saxet	101,801	24,171	125,972
Total	488,842	24,171	513,013
~~Unavailable - See #6~~	~~97,800~~		
Available	391,042		

Decreasing March 31, 1939, 272,329. Note, Refinery had been shut down for over 36 days on March 31st and stocks had accumulated.

8 - Q What are the proper economic levels of gasoline stocks and crude oil stocks above ground at October 1, 1939? January 1, 1940 — April 1, 1940? Do these figures include the oil that goes to fill pipe lines and tank bottoms?

A National question — no answer.

9 - Q What were your gasoline stocks as of December 12, 1938?

A Gasoline, December 12, 1938, 7 A.M., Houston 106,419, Terminals, 59,884, Total 166,303.

10 - Q What do you expect your gasoline inventory to be on December 1, 1939?

A Anticipated Gasoline, December 1, 1939, Houston, 50,000 Terminals, 40,000, Total 90,000.

11 - Q What were your crude stocks as of December 12, 1938?

A Crude, December 12, 1938, 7 A.M., owned by C.C.P.C. 148,655, owned by others, 16,077, total 164,732.

12 - Q What do you expect your crude inventory to be as of December 1, 1939?

A Anticipated crude inventory December 1, 1939, between 200,000 - 400,000 barrels.

13 - Q What is to be your policy with regard to inventories from now until December 1, 1939?

A Inventories will be gradually reduced over the balance of the year.

14 - Q What factors does your company consider and how does it determine the price it will pay for crude oil?

A We are not a factor in the posting of prices. We buy under contract usually based on the average posted price of several major companies.

15 - Q What factors does your company consider and how does it determine the price at which it sells refined products.

A We sell in competition with majors and try to get the best price possible for our finished product.

16 - Q Would your company purchase crude oil for storage under any conditions and if so, how much and under what conditions?

A Our company buys its crude on contract for its requirements. We do not gamble in the crude market — only buy the necessary crude to meet our operations.

17 - Q Does your company favor the enactment of and enforcement of laws to promote the conservation of oil and gas in all oil producing states?

A Yes, if it can be done without being adverse to our operations.

18 - Q In the interest of conservation, does your company favor there being an outlet provided for the full production of all stripper wells before any oil is purchased from flush fields and will your company cooperate in accomplishing such an objective?

A Provided this crude could be bought on a competitive basis.

19 - Q Does your company favor the allocating of the balance of each state's allowables equitably among the prorated fields of each state and will your company cooperate in seeing that the oil is purchased as allocated and thus eliminate selective buying?

A The same answer as to No. 18, provided it could be bought on a competitive basis.

* *

STATEMENT OF ATLANTIC COMPANY.
(Not signed)

- - - - - - - - - - - - -

Note: All quantities are shown in 42 gallon barrels.

Q 1. What are your present stocks in gasoline in all forms, finished and unfinished?

Q 2. How does this compare with a year ago?

A 1 & 2. We list gasoline stocks in the U. S. on dates as shown. 8-19-39, total at refineries, sales terminals and in transit, 1,938,000; 8-30-38, total at refineries, sales terminals and in transit, 1,618,000.

Shipments are made from this domestic stock to foreign countries in cargo lots.

Q 3. What has been the change in your gasoline stocks since March 31, 1939?

A Our total domestic gasoline stocks has decreased 33,000 barrels (42's) since March 31, 1939.

Q - 4 - How much of your present stocks of gasoline is needed to fill pipe lines and tankers?

A The quantity of gasoline needed to fill pipe lines and tankers in domestic use is estimated at 408,000 barrels.

Q - What is your present crude oil inventory?

A Our crude oil inventory as of August 18, 1939, was 4,568,000 barrels.

Q - 6 - How much of your crude oil stocks are needed to fill pipe lines, tankers, en route? How much of it is tank bottom? In short, how much crude oil does each company have that is immediately available in tanks in condition to be dispatched where needed?

A The quantity of crude oil (net at 60 degrees) necessary to fill pipe lines, tankers en route and tank bottoms is estimated to be 1,400,000 barrels.

Q - 7 - What, if any changes have there been in your crude inventory since March 31, 1939?

A Since March 31, 1939, our crude oil inventory decreased 503,000 barrels.

Q - 8 - What are the proper economic levels of gasoline stocks and crude oil stocks above ground at October 1, 1939 - January 1, 1940, April 1, 1940? Do these figures include the oil that goes to fill pipe lines and tank bottoms?

A

	Gasoline U. S. Finished & Unfinished B. & M. Formula*	Crude Oil U. S. Above Ground All Grades — All Locations*
October 1, 1939	67,600,000	244,000,000
January 1, 1940	72,700,000	244,000,000
April 1, 1940	85,900,000	244,000,000

* Figures include pipe line fills, tank bottoms, etc.

Q - 9 - What were your gasoline stocks as of December 13, 1938?

A Our gasoline stocks in the U. S. on December 10, 1938, at Refineries, Sales, Terminals, and in Transit totaled 1,448,000 barrels.

Q - 10 - What do you expect your gasoline inventory to be on December 1, 1939?

A We expect our gasoline inventory at Refineries, Sales Terminals, and in Transit to be approximately 1,526,000 barrels on December 1, 1939.

Q - 11 - What were your crude stocks as of December 12, 1938?

A Our crude oil stocks (net at 60 degrees) included fixed unavailable, at 7:00 A.M., December 9, 1938, were 5,038,884 barrels.

Q - 12 - What do you expect your crude inventory to be as of December 1, 1939?

A Estimated on the basis that present known proration regulations will continue in all states until December 1, 1939, and that crude oil production in all states will be resumed August 30, 1939, and continue on the same basis as in effect prior to August 15, 1939, we expect our crude oil inventory (net at 60 degrees) including fixed unavailable, December 1, 1939, to be approximately 4,376,000 barrels.

Q - 13 - What is to be your policy with regard to inventories from now until December 1, 1939?

A Our general policy with respect to crude oil inventories is to attempt to maintain only an adequate working stock for the needs of our refineries, having in mind that conditions require us to carry a substantial quantity of unavailable crude oil inventory in field, terminal and refineries tank bottoms, and in transit in pipe lines and in tank ships to our Philadelphia Refinery.

Q - 14 - What factors does your company consider and how does it determine the price it will pay for crude oil?

A Our primary desire and intent is to pay that price for crude oil which, when the oil is transported to and processed through the refineries, will enable us to obtain a reasonable profit based on current market price for products from such crude oils. However, we are on the one hand a relatively small factor in the crude oil market, and on the other hand, are required to purchase about two thirds of our refineries' crude oil requirements; hence, in numerous cases to enable us to secure our supplies, we must compete with other buyers and pay the price established by such buyers.

Q - 15 - What factors does your company consider and how does it determine

the price at which [illegible] sells refined products?

A The factors include the usual varieties of intra- and inter-industry competition which taken together make what is generally known as market conditions. These indicate what the prices of refined products must be in order to make sales to the most satisfactory extent.

Q - 16 - Would your company purchase crude oil for storage under any conditions, and if so, how much and under what conditions?

A It is impossible to forecast actions predicated on conditions now unforseeable. However, we are opposed to carrying crude oil in storage in excess of our current requirements, and as stated in our answer to Question 13, our policy and desire are to carry only adequate working stocks for our refineries' needs. We consider this adequate working stock to be approximately 5,000,000 barrels (42's) gross, of which as stated above approximately 1,400,000 barrels is currently unavailable.

The remaining 3,600,000 barrels is equivalent to about 37 days' supplies for our refineries, and under present day conditions of substantial crude oil avails in most all of the areas in which we are purchasing, we feel this to be an adequate stock.

Q - 17 - Does your company favor the enactment and enforcement of laws to promote the conservation of oil and gas in all oil producing states?

A Yes, but we prefer that the laws be enacted by the State Legislatures, and enforced by the regulatory bodies of the respective states, perhaps under the guidance of facts found by the Inter-state Oil Compact Commission.

Q - 18 - In the interest of conservation, does your company favor there being an outlet provided for the full production of all stripper wells before any oil is purchased from flush fields, and will your company cooperate in accomplishing such an objective?

A As a proponent of conservation, we believe that outlet should be afforded stripper wells to that extent necessary to save them from damage and thus secure the maximum economic possible yield from the reservoir. We are prepared to cooperate along these lines in those areas served by our pipe lines so long as such action is economically feasible and legal and does not require us to carry an unnecessarily large crude oil inventory.

Q - 19 - Does your company favor the allocating of the balance of each state's allowables equitably among the prorated fields of each state

and will your company cooperate in seeing that the oil is purchased as allocated and thus eliminate selective buying?

A Yes, to the extent that such allocations are legal and technically and economically sound and do not require us to purchase crude oil substantially in excess of our needs or at a price which added to transportation and processing costs, does not result in continued loss to us.

* *

RAYBOURNE THOMPSON, attorney for the Pure Oil Company, submitted the following statement.

1.	Gasoline stock, August 1, 1939	2,031,307 bbls.	
2.	Gasoline stock, August 1, 1938	(a)1,844,428 bbls.	
	Increase	186,879 bbls.	
3.	Gasoline stock, March 31, 1939.	2,245,052 bbls.	
	Gasoline stock, August 1, 1939	2,031,307 bbls.	
	Decrease	213,745 bbls.	
4.	Gasoline required to fill pipe lines	46,000 bbls.	
	Gasoline required to fill tankers	187,000 bbls.	
	*	233,000	

*-In addition to this "unavailable figure, we have to allow for tank bottoms, refinery working stocks, seasonal and closed navigation stocks and a few days' supply for shipping stocks, and on the average our total "unavailable" Gasoline inventory amounts to 1,150,000 barrels.

5.	Crude Oil Inventory, August 1, 1939	4,000,228 bbls.	
6.	Crude Required to fill pipe lines and tankers	400,000 bbls.	
	Crude required to fill tank bottoms	443,000 bbls.	
	Total unavailable	883,000 bbls.	
	Net available crude inventory	3,117,228	
7.	Crude Oil Inventory March 31, 1939	3,844,306	
	Crude Oil Inventory, August 1, 1939	4,000,228	
	Increase	155,922	

8. Proper economic stock levels including line fill, tank bottoms, etc. (42 gallon barrels)

Date	Gasoline	Crude Oil
October 1, 1939	1,640,000	4,430,000
January 1, 1940	1,710,000	4,570,000
April 1, 1940	2,070,000	4,120,000

9. Gasoline stocks, December 1, 1938 1,519,598 barrels.

10. Estimated gasoline stock, December 1, 1939 (a) 1,770,000 barrels.

11. Crude oil stocks, - December 1, 1938, 3,500,768 barrels.

12. Estimated Crude Oil Stocks, December 1, 1939, (b) 3,160,000 barrels.

(a) Gasoline stock requirement higher this year than last because of addition of ice bound terminal storage.

(b) Please note this figure is approximately 1,400,000 barrels below our January 1, 1940, economic level, and, unless our allowables are increased, operations will be seriously impaired.

13. It is anticipated that inventories between now and December 1, 1939, will conform to the company's policy of maintaining at all times only minimum working stocks of crude oil.

14. The value of crude oil at the well is dependent principally upon two factors; first, the kind and quality of products refinable therefrom, and, second, the cost of movement to a common refining center.

15. The company's position in the industry is not such that it can establish selling prices for its products upon any fixed basis. Its prices are controlled by competition in the area in which it sells.

16. Since it is our policy to maintain inventories only on the basis of minimum working stocks, we do not purchase oil for storage purposes.

17. The company is in favor of conservation laws when the same are necessary for the prevention of physical waste and the conservation of natural resources.

18. Where it is necessary in the interest of conservation to take the full production from stripper wells, the company favors the providing of an outlet for such production before purchasing oil from flush fields.

19. We favor the equitable allocation of each state's allowable among the prorated fields, with due regard to conservation and the prevention of physical waste. In purchasing crude oil, consideration must be given to transportation cost to the refinery, the kind and quality of products refinable therefrom in order to meet current sales requirements and other factors.

* * * *

(2) Q How does this compare with a year ago?

A. On July 31, 1938, gasoline inventories totaled 2,852,000 barrels.

(3) Q What has been the change in your gasoline stocks since March 31, 1939?

A There has been an increase of 23,000 barrels.

(4) Q How much of your present stocks of gasoline is needed to fill pipe lines and tankers?

A There are 726,000 barrels needed to fill pipe lines, tankers and for tank bottoms at terminals.

(5) Q What is your present crude oil inventory?

A On July 31, 1939, crude oil inventories totaled 6,264,000 barrels.

(6) Q How much of your crude oil stocks are needed to fill pipe lines, tankers en route? How much of it is tank bottom? In short, how much crude oil does each company have that is immediately available in tanks in condition to be dispatched where needed?

A Quantity of crude oil available for shipment is 1,070,000 barrels, but due to location, is not immediately available for shipment in total to points where and as needed. The remainder of the inventory is represented by pipe line fill, tankers en route, tank bottoms, etc.

(7) Q What, if any, changes have there been in your crude inventory since March 31, 1939?

A Crude oil inventories have declined 540,000 barrels since March 31, 1939.

(8) Q What are the economic levels of gasoline stocks and crude oil stocks above ground at October 1, 1939, January 1, 1940, April 1, 1940: Do these figures include the oil that goes to fill pipe lines and tank bottoms?

A Re Gasoline: At Hearings held by the Texas Railroad Commission on December 12, 1938, and March 15, 1939, experts testified that the economic, desirable motor fuel stock level for the United States on September 30 should be 60,000,000 barrels. It is fair to assume that this is a resonable figure.

The statistics published by the United States Bureau of Mines indicate that during each of the last five years (except for 1938) approximately 16,000,000 barrels, on the average, were withdrawn from storage during the periods from March 31 to September 30 of each year. It would be reasonable to assume that no more than this quantity need

be accumulated during the period from September 30 to March 31. This would place the economic level, as of March 31, 1940, at approximately 76,000,000 barrels.

It is reasonable to further assume that inventory increases during the last quarter of the year need not exceed 5,000,000 barrels, thus placing the economic level for gasoline as of December 31, 1939, at approximately 65,000,000 barrels.

Re Refinable Crude Oil Stocks: As to economic levels of crude oil inventories, it would be necessary to be acquainted with the seasonal requirements of each unit in the industry in each area. No such data seems to be available. The United States Bureau of Mines have recently reported (8/12/39) a total crude oil inventory for the United States of approximately 268,000,000 barrels. In California, crude oil inventories during the past year have increased 10,000,000 barrels. If the inventories on the Pacific Coast were at the same level as a year ago, the total United States crude oil inventories would not be approximately 258,000,000 barrels. It is possible to assume that the proper economic inventory level might be somewhat less than this figure.

Re: Gasoline Stocks Petroleum Operating Subsidiaries of Cities Service Company. Proper economic levels are as follows:

On September 30, 1939, 2,341,000 barrels.

On December 31, 1939, 2,412,000 barrels.

On March 31, 1940, 2,735,000 barrels.

Re: Refinable Crude Oil Inventories Petroleum Operating Subsidiaries of Cities Service Company.

On September 30, 1939 5,700,000 barrels.

On December 31, 1939 5,700,000 barrels.

On March 31, 1940 5,700,000 barrels.

(9) Q What were your gasoline stocks as of December 12, 1938?

A On December 31, 1938, gasoline inventories were 2,565,000 barrels. (No mid-month inventory figures available).

(10) Q What do you expect your gasoline inventories are estimated to total, December 1, 1939?

A On December 31, 1939, gasoline inventories are estimated to total 2,412,000 barrels.

(11) Q What were your crude stocks as of December 12, 1938?

A On December 31, 1938, crude oil inventories were 7,474,000 barrels.

(No mid-month inventory figures available.)

(12) Q What do you expect your crude inventory to be as of December 1, 1939?

A On December 31, 1939, crude oil inventories are estimated at 5,700,000 barrels. (Anticipate little change during the month of December.)

(13) Q What is to be your policy with regard to inventories from now until December 1, 1939?

A It is the policy to reach and hold inventories at economic levels.

The foregoing includes date for the following companies.

Cities Service Oil Company (Delaware)
Cities Service Oil Company (Pa.)
Arkansas Fuel Oil Company
Indian Territory Illuminating Oil Company.

(14) Q What factors do your company consider and how does it determine the price it will pay for crude oil?

A Prices of crude oil are based on competitive conditions existing in the particular areas in which purchases are made. Such prices are generally determined by following the prices set by the market leader companies in the various areas.

(15) Q What factors do your company consider and how does it determine the price at which it sells refined products?

A Prices of refined products are based on competitive conditions existing in the particular market in which sales are made. Such prices are generally determined by following the prices set by the market leader companies in the various areas.

(16) Q Would your company purchase crude oil for storage under any conditions and if so, how much and under what conditions?

A It is the policy to hold crude oil inventories at economic levels at all times.

(17) Q Does your company favor the enactment and enforcement of laws to promote the conservation of oil and gas in all oil producing states?

A Yes, this has been the policy of the company which has been consistently urged by its head, Henry L. Doherty, since 1924.

(18) Q In the interest of conservation, does your company favor there being an outlet provided for the full production of all stripper wells before any oil is purchased from flush fields and will your company cooperate in accomplishing such an objective?

A This question must be considered in two parts (a) In the interest of conservation, does your company favor there being an outlet provided

for the full production of all stripper wells before any oil is purchased from flush fields; and (b) will your company cooperate in accomplishing such an objective?

(a) Yes.

(b) To the extent that it is economically practical.

(19). Q Does your company favor the allocating of the balance of each state's allowables equitably among the prorated fields of each state and will your company cooperate in seeing that the oil is purchased as allocated and thus eliminate selective buying?

A This question must be considered in two parts (a) Does your company favor the allocating of the balance of each state's allowables equitably among the prorated fields of each state and (b) will your company cooperate in seeing that the oil is purchased as allocated and thus eliminate selective buying?

(a) The production in prorated fields should be so allocated to each field so that the greatest practical recovery of oil is achieved not inconsistent with market demand and all newly discovered pools should be developed under a unit plan.

(b) The companies will cooperate, so far as economically possible, in seeing that oil is purchased as allocated, but a certain amount of selected buying is necessary in order to have the proper products available for the trade that is served.

The foregoing includes data for the following companies:

Cities Service Oil Company (Delaware)
Cities Service Oil Company (Pa.)
Arkansas Fuel Oil Company
Indian Territory Illuminating Oil Company.

* *

MR. E. R. TURNER, representing Pan-American Petroleum and Transport Company and subsidiaries, submitted the following statement:

Q 1 What are your present stocks of gasoline in all forms, finished and unfinished:

A August 1, 1939, 2,149,000 barrels.

Q 2 Howdoes this compare with a year ago?

A Increase of 251,000 barrels.

Q 3 What has been the change in your gasoline stocks since March 31, 1939?

A Decrease 781,000 barrels.

Q 4 How much of your present stocks of gasoline is needed to fill pipe

lines and tankers:

A Tankers 350,000 barrels.

Lines 5,000 barrels.

Tank bottoms 270,000 barrels.

Unfinished Napthas, 200,000 barrels.

Total 725,000 barrels.

Q 5 What is your present crude oil inventory?

A August 1, 1939, 2,358,000.

Q 6 How much of your crude oil stocks are needed to fill pipe lines, tankers en route? How much of it is in tank bottoms? In short, how much crude oil does each company have that is immediately available in tanks in condition to be dispatched where needed?

A Immediately available 1,818,000 barrels.

Lines and tankers (barges) 50,000 barrels.

Bottoms, 490,000 barrels.

Total, 540,000 barrels.

Q 7 What, if any, changes have there been in your crude inventory since March 31, 1939:

A Decrease 565,000 barrels.

Q 8 What are the proper economic levels of gasoline stocks and crude oil stocks above ground at October 1, 1939, January 1, 1940, April 1, 1940? Do these figures include the oil that goes to fill pipe lines and tank bottoms?

A We have not attempted to determine what the proper economic levels of gasoline and crude oil stocks above ground should be for the country as a whole.

Q 9 What were your gasoline stocks as of December 12, 1938?

A December 1, 1938, 2,202,000 barrels.

Q 10 What do you expect your gasoline inventory to be on December 1, 1939?

A 1,850,000 barrels.

Q 11 What were your crude stocks as of December 12, 1938?

A December 1, 1938, 3,238,000 barrels.

Q 12 What do you expect your crude inventory to be as of December 1, 1939?

A Depends on shut down policies of states.

Q 13 What is to be your policy with regard to inventories from now until December 1, 1939?

A We expect to gradually build our crude inventories back to suitable

working stocks after the shut down.

Q 14 What factors does your company consider and how does it determine the price it will pay for crude oil?

A Practically all of our crude is purchased on the basis of prices posted by others, or contracts with fluctuate up and down with the posted prices of others. We also make occasional spot purchases if the crudes offered are attractive for use in our refinery.

Q 15 What factors does your company consider and how does it determine the price at which it sells refined products?

A Our products are priced as may be necessary to meet the competition in the various localities in which sales are made.

Q 16 Would your company purchase crude oil for storage under any conditions and if so, how much and under what conditions?

A We would purchase crude for storage if our inventory is below quantity needed for suitable working stocks and if crude offered is attractive.

Q 17 Does your company favor the enactment and enforcement of laws to promote the conservation of oil and gas in all oil producing states?

A We favor enactment and enforcement of laws to promote the conservation of oil and gas in all oil producing states.

Q 18 In the interest of conservation, does your company favor there being an outlet provided for the full production of all stripper wells before any oil is purchased from flush fields and will your company cooperate in accomplishing such an objective?

A We favor program outlined to the extent that it is economically sound.

Q 19 Does your company favor the allocating of the balance of each state's allowables equitably among the prorated fields of each state and will your company cooperate in seeing that the oil is purchased as allocated and thus eliminate selective buying?

A We favor equitable allocation among prorated fields. However, our refinery is not equipped to handle crudes of high sulphur content or low octane rating since we must produce a high octane unleaded gasoline for the market. Furthermore, the lubricating oil content of crudes is of no particular value to us as we do not make lubricants. We must therefore be somewhat selective in our buying of crude.

* *

MR. R. B. KAHLE, representing the Eastern Stated Petroleum Company, Inc., presented the following statement.

1. August 26, 1939, 122,790 barrels.

2. Increase of 36,410 barrels since September 1, 1938.

3. Decrease of 181,635 barrels.

4. 75,000 barrels.

5. August 26, 1939, 72,567 barrels.

6. Bottoms about 23,000 barrels all held in bonded warehouse. Available for use about 50,000 barrels.

7. Increase of 15,841 barrels.

8. We cannot answer this question as we do not have the required statistical data.

9. December 12, 1938, gasoline 197,249 barrels.

10. About 100,000 barrels.

11. December 12, 1938, crude 348,132.

12. About 100,000 barrels.

13. We attempt to maintain the minimum inventory of finished products consistent with our delivery requirements.

14. We consider and can pay for crude only the value of products that can be produced therefrom less our costs and, if possible a profit.

15. We compete in the world's wholesale cargo markets with refiners in this country and in foreign countries. We sell at the highest possible price we can get, competition considered.

16. We would purchase storage oil if the price met the conditions indicated in answer to question 14. The amount would depend on relationship between the price of products and the price of crude.

17. We favor the enactment and enforcement of laws to promote the conservation of oil and gas in all oil producing states where the purposes of conservation is actually conservation and not price fixing of raw material, unless prices of finished products produced therefrom are also fixed by law.

18. We think it economically unsound to attempt to protect by an artificial price structure the products from stripper wells just as we think it would be absolutely and economically unsound to attempt to regulate the price of wheat in the United States by the cost of its production in areas not economically suited to the production of wheat.

19. We see no way at all to eliminate selective buying unless laws are enacted to regiment, from lease to filling station pump, the entire oil business. Too many factors enter into the value of different crudes, in

our opinion, to make it economically sound to say that products shall be equitably allocated (if equitable allocation means proportional production) from each prorated field regardless of the value of the oil, the quality of the product, the available markets for such products, etc. We think that any plan attempting to control proration on such a basis must be carried through to control of refining and marketing, and, in point of fact, would have to reach farther and control the buyer. If all crude oil were of like value, produced like finished products and were equidistant from markets, we would think the theory suggested in question 19 were sound.

* *

MR. C. E. YAGER, representing the Texas-Pacific Coal and Oil Company, presented the following statement.

1. What are your present stocks in gasoline in all forms, finished and unfinished? — 724,997 gals.

2. How does this compare with a year ago? — Decrease of 149,765 gals.

3. What has been the change in your gasoline stocks since March 31, 1939? — Decrease of 124,573 gals.

4. How much of your present stocks of gasoline is needed to fill pipe lines and tankers? — None.

5. What is your present crude oil inventory? — 29,090 barrels.

6. How much of your crude oil stocks are needed to fill pipe lines, tankers en route? How much of it is tank bottom? In short, how much crude oil does your company have that is immediately available in tanks in condition to be dispatched where needed? — Pipe lines, 3,082 barrels, Tankers none. Tank bottoms, unknown. All field tanks.

7. What, if any, changes have there been in your crude inventory since March 31, 1939? — Decrease of 1,075.32 barrels.

8. What are the proper economic levels of gasoline stocks and crude oil stocks above ground at October 1, 1939, January 1, 1940, April 1, 1940? Do these figures include the oil that goes to fill pipe lines and tank bottoms? 725,000 gal. Gasoline, 30000 barrels crude, all dates.

9. What were your gasoline stocks as of December 12, 1938? 781,635 gals.

10. What do you expect your gasoline inventory to be on December 1, 1939? Approximately the same.

11. What were your crude stocks as of December 12, 1938? 31,041 bbls.

12. What do you expect your crude inventory to be as of December 1, 1939?

Approximately the same.

13. What is to be your policy with regard to inventories from now until December 1, 1939? No change.

14. What factors does your company consider, and how does it determine the price it will pay for crude oil? Follows major purchasers.

15. What factors does your company consider and how does it determine the price at which it sells refined products? — Competition.

16. Would your company purchase crude oil for storage under any conditions and if so, how much and under what conditions? — No.

17. Does your company favor the enactment and enforcement of laws to promote the conservation of oil and gas in all oil producing states? Yes.

18. In the interest of conservation, does your company favor there being an outlet provided for the full production of all stripper wells before any oil is purchased from flush fields and will your company cooperate in accomplishing such an objective? Yes.

19. Does your company favor the allocating of the balance of each state's allowables equitably among the prorated fields of each state and will your company cooperate in seeing that the oil is purchased as allocated and thus eliminate selective buying? Yes.

* *

MR. D. W. HOVEY, representing the Republic Oil Refining Company, submitted the following statement:

1. Our stock of gasoline, August 26, 1939, is 668,047 barrels.

2. Our August 26, 1939 stocks of gasoline show an increase of 231,301 barrels over August 1st, 1938.

3. Our gasoline stocks as of August 26th, 1939, reflect a decrease of 77,274 barrels as compared with March 31, 1939.

4. 3,586 barrels of gasoline in pipe lines. Normal working stocks for supplying tanker shipments estimate average of 100,000 barrels for each grade manufactured. Our normal production covers four grades with largest stocks Motor Gasoline which is the Major production.

5. Our August 26, 1939, Crude Oil Inventory was:

In pipe lines	317,465
In refinery	204,036
Total	521,501

6. For Refinery requirements one tanker is in continuous service which means 50,000 to 70,000 barrels in transit. For outside commitments crude

must be available as tankers nominated which cannot be evenly regulated necessitating for various grades handled approximately 500,000 barrels as minimum terminal stocks with increased requirement to accumulate for future shipments such as to Canada requiring shipment of twelve months supply over Navigation season of approximately seven months also contracts taken for future delivery. Spot sales can only be estimated and averaged resulting in variation of stocks one month to another.

Line displacement	24,679 barrels.
Tank bottoms	67,500 barrels.
Tanker transit	70,000 barrels.
	162,179 barrels.

7. Our August 26, 1939, crude oil stocks show a decrease of 764,510 barrels as compared with March 31st, 1939.

8. We have listened to many expert opinions as to proper stock levels and do not feel qualified to confirm or dispute such expert opinions. We cannot avoid thinking that proper economical levels for both gasoline and crude stocks should be somewhat higher in January than in October and higher in April as against January.

We are very much interested to see a level for all products both crude and refined products in line with market demand thus stabilizing prices, insuring profitable operations; However, comparing past statistical information with prices has been rather confusing.

9. Our actual gasoline stocks December 12, 1938, were 488,313 barrels.

10. We expect gasoline inventories to approximate present level in stock. Generally speaking there is some build up over the winter months unless we have unexpected demands or unexpected cut down in operations.

11. Our Crude Oil stock as of December 12, 1938, was 765,723 barrels.

12. Minimum 500,000 barrels pipe line terminal stocks. Approximately 300,000 barrels refinery stocks.

13. Keep crude stocks in line with normal refinery and sales requirements. Decrease gasoline stocks if possible and keep our other inventories in line with our market demand so as not build up excess stocks.

14. We consider the crude from both our own refinery operations and from the requirements of buyers of crude. We consider the products which the different crudes will produce and the prices that said products will bring, the cost of transporting the crude to the market or refinery and

above all the price paid by competitors.

15. The cost of raw materials and the cost processing location of markets and cost of transportation and above all competitor's prices.

16. As far as we know it has not been the company's policy to purchase crude oil for storage.

17. We favor the enactment and enforcement by all states producing oil.

18. Yes, if a market demand can be developed at posted prices for said crude. We will cooperate fully but cannot buy crude for which we have no sale or use.

19. Yes, within the limits of our ability to market the oil from any particular field. We cannot agree to purchase oil for which we have no sale or use.

* *

MR. J. G. DYER, representing the Continental Oil Company, submitted the following statement.

1. What are your present stocks in gasoline in all forms, finished and unfinished:

	Net barrels Texas	Net barrels United States
August 1, 1939		
Finished	106,497	1,165,258
Unfinished	1,049	23,590
Total	107,546	1,188,848

Tank bottoms totaling 20,000 barrels in Texas and 303,800 barrels in United States are not included in the above figures.

2. How does this compare with a year ago?

Finished: Increased in Texas	50,463 bbl.
Decreased in U.S.	29,308 bbl.
Unfinished, increased in Texas	645 bbl.
Decreased in U. S.	864 bbl.
Total Finished and unfinished	
Texas increased	51,108 bbl.
United States decreased	30,172 bbl.

3. What has been the change in your gasoline stocks since March 31, 1939?

Finished, Increase in Texas	13,224 bbl.
Decreased in United States	402,839 bbl.
Unfinished, decreased in Texas	233 bbl.

Increased in U. S. 5,590 bbl.

Total, finished and unfinished

Texas increased 12,991 bbl.

U. S. decreased 397,239 bbl.

4. How much of your present stocks of gasoline is needed to fill pipe lines and tankers? -- None.

5. What is your present crude oil inventory?

August 1, 1939	Net barrels.
Texas	1,364,873
U. S.	8,926,056

Does not include oil in lines and tank bottoms totaling 133,982 barrels in Texas and 836,836 barrels in the United States.

6. How much of your crude oil stocks are needed to fill pipe lines and tankers en route? How much of it is tank bottom? In short, how much crude oil does each company have that is immediately available in Texas in condition to be dispatched where needed?

August 1, 1939	Barrels Texas	Barrels U. S.
Oil in lines	29,499	223,299
Tankers en route	none	none
Tank bottom (B.S.&W.)	104,483	613,537
Crude Oil in Storage available for dispatching where needed	1,364,873	8,926,056

7. What, if any changes have there been in your inventory since March 31, 1939?

Net stocks crude oil in storage available for dispatching

Increased in Texas 6,037 bbl.

Increased in U. S. 127,003 bbl.

8. What are the proper economic levels of gasoline stocks and crude oil stocks above ground at October 1, 1939, January 1, 1940, April 1, 1940? Do these figures include the oil that goes to fill pipe lines and tank bottoms?

No attempt is made to speak for the nation as a whole; however, we estimate the proper stock for our company on the specified dates to be as follows:

October 1, 1939, Texas, net obls. gasoline 80,000, January 1, 1940, net bbl, gasoline 90,000, April 1, 1940, Texas net bbl. gasoline, 100,000; October 1, 1939, United States, net bbl. gasoline 960,200; January 1, 1940, U. S. Net bbl. gasoline 1,148,200, April 1, 1940, U. S. Net bbl. gasoline

1,524,200; October 1, 1939, Texas Net Bbl. crude 1,326,907, January 1; 1940, Texas, net bbl. crude, 1,266,907, April 1, 1940, Texas net bbl. crude 1,266,907; October 1, 1939, U. S. net bbl. crude 7,710,056; January 1, 1940, U. S. Net bbl. crude, 7,710,056. April 1, 1940, U. S. net bbl. crude, 7,710,056.

9. What were your gasoline stocks as of December 1, 1938?

December 1, 1938,

Net stocks.

	Net Barrels Texas	Net Barrels United States
Finished gasoline	81,608	1,226,499
Unfinished gasoline	3,622	21,009
Total finished and unfinished	85,230	1,247,508

10. What do you expect your gasoline inventory to be on December 1, 1939?

December 1, 1939 Net stocks	Net Barrels Texas	Net Barrels United States
Finished Gasoline	72,348	1,058,351
Unfinished gasoline	1,000	22,500
Total finished and unfinished gasoline	73,348	1,080,851

11. What were your crude stocks as of December 1, 1938? Net barrels of crude oil available in storage to be dispatched where needed as of December 1, 1939, Net barrels in Texas, 1,323,783, net barrels in United States 8,010,484.

12. What do you expect your crude inventory to be as of December 1, 1939? Estimated net barrels of crude oil in storage available to be dispatched where needed as of December 1, 1939, net barrels Texas 1,266,907, net barrels United States, 7,710,056.

13. What is to be your policy with regard to inventories from now until December 1, 1939?

Gasoline: It is estimated that our total net gasoline stocks will be reduced about 34,000 barrels in Texas and 108,000 barrels in the United States from now until December 1, 1939.

Crude Oil: It is estimated that our total net crude oil stocks will be maintained at present levels, except for a reduction of 100,000 barrels in Texas, and about 1,200,000 barrels in the United States, resulting from the shut down in August.

14. What factors does your company consider, and how does it determine

the price it will pay for crude oil:

The principal factors in determining the price of crude oil, as for any raw material, are:

(a) Availability of crude to particular refinery.

(b) Quality of crude.

(c) Adaptability for use in company's equipment.

(d) Type, quantity, quality and marketability of the products which the crude will yield.

(e) The market demand for the products and the prices which they will command in the market.

(f) Transportation costs.

(g) Manufacturing and sales costs.

Each of the above is an important factor in determining, not only the price which this company will pay, but each is likewise a factor which must be considered in determining whether or not any particular crude will be purchased, regardless of the price at which it is offered.

A most important factor is the prices bid and asked by competitors for crudes which meet the above requirements.

Should this company consistently pay more than its competitors for its crude supplies, it could not long remain in business. If it consistently paid less, it would lose its connection and its ability to buy.

15. What factors does your company consider, and how does it determine, the price at which it sells refined products?

The principal factors in determining the prices at which refined products will be sold are:

(a) Cost of refining operations.
(b) Cost of distribution and sales.
(c) Taxes.
(d) Inventory position.
(e) Crude and blending stock costs.

In addition, the prices we receive for our refined products are largely determined by the normal functioning of competitive forces. Our only control over prices is our right to refuse to sell at prices which will not repay our costs and a reasonable profit. A further element in determining the sale price of refined products, which is generally overlooked, is waste which occurs in the refining operations of a large number of our competitors. Such waste is due to ineffective, inadequate and obsolete refining equipment. Waste of this type is as real as any

kind of waste commonly ruled against. A practical example of this type of waste is the skimming plant operation.

In such operation a barrel of crude oil may yield an inferior grade of gasoline representing approximately 30 per cent of the crude volume. This inferior product moves in direct competition with gasoline of high quality, manufactured by efficient refining methods.

Naturally this has an adverse effect upon the price of all gasoline. The remaining 70 per cent of the crude volume then moves on a price basis into the fuel oil or other heavy oil markets, still containing valuable unrecovered components. Generally speaking, because it is an inferior product, in such markets it will naturally bring a lower price.

This,despite the fact that it still contains the valuable components which could be recovered by complete fractionation in an effecient refining operation. A barrel of crude once recovered, should be handled in a manner so that not only the raw material itself is conserved, but so that it will be converted into the greatest possible quantity of useful and merchantable products.

Each of the products should be so manufactured that it will claim the highest possible price for products of that classification. To only partially reclaim the valuable components of a barrel of crude oil by inefficient refining methods is a definite waste of raw material, and one which not only adversely affects the prices of refined products, but also the price of the crude itself.

12. Would your company purchase crude oil for storage under any conditions , and if so, how much and under what conditions.

This company does not gamble in crude oil futures or inventories. Crude oil would therefore only be purchases for storage in order to meet definite future requirements.

17. Does your company favor the enactment and enforcement of laws to promote the conservation of oil and gas in all oil producing states?

Yes, by state enactments and enforcement, such enforcement to be without discrimination for or against any particular field, group of operators, individuals or corporations.

18. In the interest of conservation, does your company favor there being an outlet provided for the full production of all stripper wells before any oil is purchased from flush fields, and will your company cooperate in seeing that the oil is purchased as allocated and thus eliminate selective buying?

To answer the Commission's question intelligently the terms "stripper" and "flush" should be defined in the light of present day conditions. Severe restrictions on the allowable production of new wells in many areas place their allowables in the same category as those of stripper wells, as the term "stripper" was understood a few years ago. To provide a market for so-called stripper wells and no market for wells of so-called flush production would not necessarily be in the interest of conservation.

This company believes that where there is a market demand for crude oil, all wells should share in that market.

If the conditions are such that a ratable distribution of the allowables would result in irreparable damage or premature abandonment of certain wells, then we believe that the allocations of allowables should be adjusted to protect such wells, regardless of their classification.

This company will at all times cooperate with the Commission and other producers and purchasers in maintaining ratable taking between leases in the same pool and between pools in the State, allowing for adjustments as hereinabove suggested.

19. Does your company favor the allocating of the balance of each state's allowables equitably among the prorated fields of each state, and will your company cooperate in seeing that the oil is purchased as allocated, and thus eliminate selective buying?

This company will cooperate in any legal conservation movement, rule or regulation, and favors the equitable allocation of all production in the State.

The answers given herein constitute statements of the present attitude of Continental Oil Company with respect to the matters covered by the questions of the Commission. Should there be any material change in conditions affecting the oil industry, such change may require a change of attitude or policy in order to meet such change in conditions.

* *

MR. W. G. ROTHERMEL, representing the Maritime Oil Company, submitted the following statement.

Q What are your present stocks of gasoline in all forms, finished and unfinished?

A 120,235 barrels.

Q How does this compare with a year ago?

A An increase of 70,724 barrels.

Q What has been the change in your gasoline stocks since March 31, 1939?

A A decrease of 13,496 barrels.

Q How much of your present stocks of gasoline are needed to fill pipe lines and tankers?

A None.

Q What is your present crude oil inventory?

A 36,837 barrels.

Q How much of your crude oil stocks are needed to fill pipe lines, tankers en route? How much of it is tank bottom? In short, how much crude oil does each company have that is immediately available in tanks in condition to be dispatched where needed?

A In short, 31,837 barrels of crude available after deducting 5,000 barrels tank bottoms. We consider this an absolute minimum working stock and do not consider this oil available for movement anywhere.

Q What, if any, changes have there been in your crude inventory since March 31, 1939?

A Crude stock decreased 33,000 barrels.

Q What are the proper economic levels of gasoline stocks and crude oil stocks above ground at October 1, 1939, January 1, 1940, April 1, 1940? Do these figures include the oil that goes to fill pipe lines and tank bottoms?

A We do not feel qualified to answer this question.

Q What were your gasoline stocks as of December 12, 1938?

A 50,136 barrels.

Q What do you expect your gasoline inventory to be on December 1, 1939?

A Approximately 100,000 barrels.

Q What were your crude stocks as of December 12, 1938?

A Approximately 80,000 barrels.

Q What do you expect your crude inventory to be as of December 1, 1939?

A We would like to maintain a crude oil working stock of 70,000 barrels.

Q What is to be your policy with regard to inventories from now until December 1, 1939?

A Maintaining a crude oil working stock from 50,000 to 75,000 barrels and keeping quantities of refined products as low as possible.

Q What factors does your company consider and how does it determine the price it will pay for crude oil?

A Upon the quality and quantity of various products determined by laboratory analyses and based on recognized published quotations.

Q What factors does your company consider and how does it determine the price at which it sells refined products?

A Basing all sales on costs, together with current marketing conditions and competition.

Q Would your company purchase crude oil for storage under any conditions, and if so, how much and under what conditions?

A Our crude oil storage is 100,000 barrels and we would purchase to the limit of our storage under attractive conditions.

Q Does your company favor the enactment of and enforcement of laws to promote the conservation of oil and gas in all oil producing states?

A Yes.

Q In the interest of conservation, does your company favor there being an outlet provided for the full production of all stripper wells before any oil is purchased from flush fields and will your company cooperate in accomplishing such an objective?

A Being strictly a refiner and not being familiar with the problems of production, we do not feel that we can intelligently answer this question.

Q 19. Does your company favor the allocating of the balance of each state's allowables equitably among the prorated fields of each state and will your company cooperate in seeing that the oil is purchased as allocated and thus eliminate selective buying?

A Our answer to the above question would be yestwith this reservation. Considering export business, we do not believe that production should be limited except in the interest of conservation as long as importations of crude oil continue to be brought into this country at the present rate.

* *

MR. O. L. CORDELL, representing the Barnsdall Refining Corporation, submitted the following statement.

Q What is your present stocks of gasoline in all forms, finished and unfinished?

A Gasoline stocks as at August 15, 1939, Corpus Christi, Texas, 62,838 barrels; Barnsdall, Okla. 29,497 barrels; 52,210 barrels at Wichita, Kansas, total 144,545 barrels. Gasoline stocks as at August 22, 1939, Corpus Christi, 83,727 barrels, Barnsdall, Okla. 16,509 barrels, Wichita

Kansas, 40,912 Barrels, and a total of 141,148 barrels.

Q How does this compare with a year ago?

A Gasoline stocks as at August 23, 1939 (?) Corpus Christi, Texas, 36,009, Barnsdall,Okla., 65,839 barrels, Wichita,Kansas, 15,315 barrels; total 117,163 barrels.

Q What has been the change in your gasoline stocks since March 31, 1939?

A Increase Corpus Christi, 25,334, decrease Barnsdall, 4135, increase Wichita 4,253, increase total 25,432. barrels.--Since 3-31-'39 in gasoline stocks.

Q How much of your present stocks of gasoline is needed to fill pipe lines and tankers?

A Stocks of gasoline needed to fill tankers, Corpus Christi, 56,000 barrels, total 56,000 barrels.

Q What is your present crude oil inventory?

A Crude oil inventory as at August 22, 1939, Corpus Christi, 50,293 barrels, Barnsdall, Okla., 43,652 barrels, Wichita, Kansas, 37,170 barrels, total 141,115 barrels.

Q How much of your crude oil stocks are needed to fill pipe lines, tankers en route? How much of it is tank bottom? In short, how much crude oil does each company have that is immediately available in tanks in condition to be dispatched where needed?

A 15,000 to 20,000 barrels tank bottoms, figures given in answer to question number 5 are those available for use.

Q What, if any changes have there been in your crude inventory since March 31, 1939?

A Increase in crude, Barnsdall, Oklahoma, 5,248, decrease in crude, Corpus Christi, Texas, 31,790 barrels, Wichita, Kansas, 11,479 barrels, total decrease 38,021 barrels. -- Inventory since 3-31-1939.

Q What are the proper economic levels of gasoline stocks and crude oil stocks above ground at October 1, 1939, January 1, 1940, April 1, 1940? Do these figures include the oil that goes to fill pipe lines and tank bottoms?

A In our opinion the proper economic levels of gasoline stocks and refinable crude oil stocks at October 1, 1939, are:

Gasoline	130,000 barrels
Crude Oil	150,000 barrels
January 1, 1940.	
Gasoline,	150,000 barrels
Crude Oil	150,000 barrels.
April 1, 1940.	
Gasoline	180,000 barrels
Crude Oil	150,000 barrels

Q What were your gasoline stocks as of December 12, 1938?

A Gasoline stocks as at December 12, 1938, Corpus Christi, Texas, 109,372 barrels, Barnsdall, Oklahoma, 27,966; Wichita, Kansas, 60,976, total 198,314. barrels.

Q What do you expect your gasoline inventory to be on December 1, 1939?

A Gasoline inventory (estimated) December 1, 1939, Corpus Christi, Texas, 90,000 barrels, Barnsdall, Oklahoma, 19,000 barrels, Wichita, Kansas, 28,000 barrels, total 137,000 barrels.

Q What were your crude stocks as of December 1, 1938?

A Crude oil stocks as at December 1, 1938, Corpus Christi, 80,349 barrels, Barnsdall, Okla. 52,257 barrels, Wichita, Kansas, 85,339 barrels, total 218,445 barrels.

Q What do you expect your crude inventory to be as of December 1, 1939?

A Estimated crude inventory December 1, 1939, Corpus Christi, Texas, 60,000 barrels, Barnsdall, Oklahoma, 30,000 barrels, Wichita, Kansas, 40,000 barrels, total 130,000 barrels.

Q What is to be your policy with regard to inventories from now until December 1, 1939?

A From now until December 1, 1939, it will be our policy to carry in inventory working stocks only.

Q What factors does your company consider and how does it determine the price it will pay for crude oil?

A As we do not own or control any crude oil production we must purchase our supply at the price posted by major purchasers.

Q What factors does your company consider and how does it determine the price at which it sells refined products.

A Our selling prices for refined products are determined by competitive markets.

Q Would your company purchase crude oil for storage under any conditions and if so, how much and under what conditions?

A It is our policy to purchase our requirements as needed.

Q Does your company favor the enactment and enforcement of laws to promote the conservation of oil and gas in all oil producing states?

A Yes.

Q In the interest of conservation, does your company favor there being an outlet provided for the full production of all stripper wells before any oil is purchased from flush fields and will your company cooperate

in accomplishing such an objective?

A Yes.

Q Does your company favor the allocating of the balance of each state's allowables equitably among the prorated fields of each state and will your company cooperate in seeing that the oil is purchased as allocated and thus eliminate selective buying?

A It is desirable that we follow the practice of selective buying, due to the fact that certain grades of crude oil will produce the products we can manufacture most advantageously at our refineries.

* *

D. W. HOVEY, a witness in said cause being by the Commission first duly sworn, testified as follows:

A VOICE. You have answered the Republic Oil & Refining Company would raise the price of crude purchases in south Texas a few days before the Humble announced the cut, and then when they announced the cut you immediately followed their cut. Why was it necessary to do that?

A I think you referring to the general following of the general cut by the Humble. I might answer that there — when there was a shut down our supply of crude for refinery operations was immediately curtailed, making our entire stock of crude oil available for export commitments, on which contract price basis was generally the Humble's posted price, making it therefore necessary to follow our prices the same as with our sales prices.

(WITNESS EXCUSED)

* *

CHAIRMAN SMITH. We recognize Mr. Jack Blalock.

MR. BLALOCK. Anticipating that orders may be issued sometime in the future, I offer into the record of the hearing all of the evidence and testimony of all prior hearings including the one recently concluded on the application of the Humble Oil & Refining Company in East Texas.

CHAIRMAN SMITH: This brings us to a conclusion of the hearing. If there is nothing further now — I recognize Mr. Humphries.

MR. HUMPHRIES. I would like to make a statement on behalf of the North Texas Oil & Gas Association.

CHAIRMAN SMITH: Make it short, everybody is tired and hungry.

MR. HUMPHRIES. Yes, I will make it short. North Texas has been a rather supplicant at the hands of the Commission and it presents

briefly a petition as follows:

"The North Texas Oil and Gas Association, a voluntary association of operators and producers in the North Texas District, presents its position with respect to the proposed orders of the Commission as follows:

"1. A fair and equitable distribution of the state's allowable among the different pools of the State should be made. To effect this, all factors for the prevention of waste of a natural resource should be considered, and such distribution should not be made alone upon the nominations of purchasers, nor should the proffered market in one pool be given undue weight or consideration in the allocation of the State's allowable among the different pools of the State.

"It is axiomatic, if a purchaser can not secure his full requirements from one pool, even though he may own the production, or a substantial part thereof, in such pool or pools, such purchaser will seek his supply in the allowable oil of other pools and the market, as well as the allowable will thus be fairly distributed.

"We believe that special allowables based on alleged new foreign market demand, and increases in fixed allowables should be discontinued, except upon an open hearing and after due notice, and at the regular state wide monthly hearings, within the state's full share of the nation's consumative and export demand is distributed.

"Special allowables should be discontinued upon recommendation of purchasers for a market in a specific field wherein allowables are sought to be raised, except upon such hearings.

II.

"Purchasers who are common carrier pipe lines, or affiliated therewith, should be required to purchase without discrimination in favor of their own production, whether in the same field, or in different fields.

"We believe that the granting of special and excessive allowables in favored fields upon nominations of purchasers or upon the presentation of a producer of a special market has caused a seeming ready market in those special favored fields, and a stagnant market in those fields where only a small percentage of the production is owned by the purchasers making the nomination. Especially is this true in the K M A Field where only approximately 8% of the production is thus owned.

"Special allowables based upon such nominations are largely

responsible, in our judgment for the pipe line proration from which this district has been a direct and continued sufferer. If this condition is remedied and the State's allowable is fixed in accordance with the market (consumptive) demand, and that allowable equitably distributed without regard to special nominations in special favored fields, it will mean the end of pipe line proration."

We are having pipe line proration in our district at this time, and I am glad to note that most of the purchasers say that they are in favor of purchasing equitably without discrimination in favor of their own production. So, I look forward to seeing an end to the pipe line proration in the K M A District.

"This association believes that a general shut down is palliative only, and will serve no permanent good unless the ills about which we complain are corrected.

"It is not a fixed remedy, nor a permanent cure, and should never be resorted to unless in the most extreme cases of approaching disaster to the industry.

"Nevertheless, this association believes that no order should be entered by the Railroad Commission that fails to exempt all stripper wells, as defined by the statute and the Commission, so that these wells will not be lost, and that the owners' rights therein will not be confiscated.

"The burden of proration should be borne by the flush or flowing wells, and not by the stripper type, which is the back log of the industry, and these stripper wells, when considered from a state and nation-wide viewpoint, is the stabilizer which prevents wide fluctuations in prices, and excessive prices to the consumer. It is the type of production upon which the nation must depend for its oil, because all oil wells will eventually become stripper wells, and if production is not afforded them, they will be abandoned long before they have produced the amount of oil of which they are capable of producing.

"The Commission made a survey on July 1, 1939, which shows that there are 34,000 stripper wells in the state producing only 171,000 barrels a day, which leaves an excess of 1,200,000 to be alloted to the 53,000 proratable wells."

Our district has many stripper wells, it is an old district and

we are extremely interested in this preservation of the stripper wells as a resource of the state and to the owners.

COMR. THOMPSON. Haven't we preserved it pretty well, Mr. Humphries?

MR. HUMPHRIES. I think so.

"This association has always maintained that stripper wells, which are defined by the marginal well laws, should at all times be exempt from any restrictions placed upon the production of oil.

"In conclusion we think while we who met here are dealing with products owned by us when reduced to possession, yet this association is not unmindful of the rights of the public in protecting from waste a great natural resource of the state.

"To this end, we solicit those who produce and deal in this resource, and pledge our cooperation, that we should all look above our individual and selfish benefits, and give this body helpful cooperation in the solution of the problems of the industry."

This is signed by Mr. John F. O'Donohue, President of the North Texas Oil and Gas Association, which is the representative of the independent producers of the North Texas District, and I would like permission to file this statement with the Commission.

CHAIRMAN SMITH. It will be made a part of the record. If there are any more documents like that, we would be glad for you to file them with the Reporter.

We want to hear from Mr. Roeser.

* *

C. C. ROESER, a witness in said cause, being by the Commission first duly sworn, testified as follows:

MR. ROESER. Gentlemen, I have appeared before this microphone because I was invited by written letter signed by Chairman Smith and Commissioner Thompson to appear before this meeting and testify to things that are pertinent to the oil industry today.

Therefore, I hope you will bear with me a few moments.

A great number of independent producers met in Oklahoma City two weeks ago tomorrow and adopted what we thought was a constructive program; that program was sent to all the members of the regulatory bodies of all the states; to all the members of the Compact Commission, and to all of the Governors of the states -- it is in their offices if

you care to refer to it.

Many of the things in that report were covered by Judge Humphries, but I do want to elaborate briefly on one thing. That is, the granting of special allowables in Texas or any other state without a public hearing and giving the independent producers a chance to appear and express their views.

The two reasons for that are this: that in the pools of Texas — Texas is the only state in which I produce, -- there is a difference of opinion between the producers in one pool as to whether the allowable should be raised or not, there is also a difference of opinion and that where two pools in the state produce the same gravity of oil the increase of production in one pool might be an injustice to producers in other pools.

The granting of special allowables causes pipe line proration. We all hope that the Commission will see that and discontinue that in the future. Boiling down the evidence, as I see it, that has been given here today by different representatives of the major purchasing companies, there seems to be at this time an excess of gasoline stocks amounting to around fourteen million barrels. The evidence today ranged from fifty to fifty-eight million on October 1. Therefore, that excess gasoline in storage is something that should be eliminated under the orders of the regulatory body through its control of production.

It also was testified here today that crude oil stocks should be raised from 205,000,000 to 250,000,000 but the evidence put in the record shows that only three companies want to reduce the stocks of crude oil that they have on hand, the total being 24,800,000 barrels. Other companies testified they would like to add nine million barrels to their storage, leaving only a net reduction to be made of 15,800,000 barrels, to meet the views of those who testified.

Now, the group of smaller companies that didn't put their testimony on, I feel, knowing their operations as I do, they are probably down, so at this time there seems to be no necessity for a reduction of more than 15,800,000 barrels, for the reason that the shut down of the past fifteen days has probably accomplished the reduction in crude oil storage of approximately 20,000,000 barrels.

If we accomplish an additional reduction of 15,800,000 barrels that would put us down to approximately 233,000,000 barrels, which I

think most people will consider an economic level. There has been considerable talk that this shut down might be continued. I, for one, expressed my views personally, and have been in consultation with a great many producers and I find they agree with me, do not believe a further 15 day shut down is necessary.

Instead of a 15 day shut down, it seems that a program would be, in order to accomplish the reduction of 14,000,000 barrels of gasoline stocks, and 15,000,000 barrels of crude oil stocks for the Railroad Commission of Texas to take the lead and reduce the allowables in Texas during the month of September for 30 days only, 20% below the forecast of the Bureau of Mines for that month.

COMR. THOMPSON. Mr. Roeser, you said you didn't believe a further 15 day shut down would be necessary; how about a further 5 day shut down, so, say next Monday morning at 7 o'clock, so as to get this job done and not go half way?

MR. ROESER. The only reason I could see for the additional shut down by the Railroad Commission of Texas would be to give them time to write an order. If they need to September 1st to do that there probably will be no material harm done. If you go beyond that date you will cause distress to a great many independent refiners.

COMR. THOMPSON. You have been an advocate rather consistently, have you not, of getting stocks down to economic levels?

MR. ROESER. I have been working for that for ten years.

COMR. THOMPSON. Do you object to a shut down until Monday morning.

MR. ROESER. I will observe it personally.

COMR. THOMPSON. So we can clean this thing up once and for all.

MR. ROESER. The only way you can clean it up is by a shut down.

COMR. THOMPSON. Proceed.

MR. ROESER: Now then, if the Railroad Commission of Texas saw fit to order that reduction, that 20% reduction below the Bureau of Mines would cause Texas to produce 281,000 barrels under that forecast; it would cause Oklahoma to take a reduction of 85,000 barrels, Illinois 51,000, Kansas 33,000, New Mexico, 21,000, Arkansas 10,000, making a total reduction below the Bureau of Mines forecast for September 493,800 barrels. At that rate it would probably reduce crude stocks for September by approximately 15,000,000 barrels, and in my judgment would reduce

gasoline stocks.

COMR. THOMPSON. Mr. Roeser, it is the belief of the Railroad Commission of Texas that the independent producers and independent refiners of the state and nation interests must be protected and preserved; that doesn't mean that we won't protect anybody else's interest, but these independent producers and refiners are really the life of the trade; the independent producer is the fellow who goes out and discovers new fields, the number has been increased 2000 in the past two years in Texas. It is the opinion of the Commission, and our intention is that no independent refiner or any other refiner will find himself wanting for crude, even though we continue to shut down until next morning, anybody that needs crude for use, if he will let us know we will promptly get to him, so that there will be no lot down in the work and no shortage in crude for refineries.

What do you think about that?

MR. ROESER. I sincerely hope that the Commission can do that; if you have authority to speak for the producers that will deliver the crude to the independent refiners there is no objection on my part.

I want to call your attention briefly to what has happened to refinery runs in the past six weeks. On July 8th when we had excessive gasoline stocks, the large refining companies have constantly added to their runs to stills, the runs increasing 178,000 barrels a day over that six weeks period.

I also call your attention to the runs to refineries in comparison to the same weeks last year and in August, the 19th, the runs to stills in the week ending August 19th, this year, was 320,000 barrels a day in excess of the runs to refineries in 1938.

That is the source of a great deal of our trouble. The refiners have refused to control their runs to stills and have added to excessive stocks. That condition has brought about the sale of gasoline below the parity of crude oil.

I call that to your attention to let you know the facts as they exist today. Unless you have some questions, Mr. Commissioner, I have finished.

COMR. THOMPSON. WE certainly thank you.

CHAIRMAN SMITH. There seems to be no questions, Mr. Roeser.

We thank you very kindly.

(Witness excused)

* * * *

CHAIRMAN SMITH. Mr. Butler wants to make a motion for something to be incorporated.

MR. IRA BUTLER. Mr. Chairman, I offer as a part of the record of this hearing a recent special hearing held on Waddell - Penwell Field, I will furnish the Reporter with the date of that hearing. Will it be received?

CHAIRMAN SMITH. Yes,sir. We want to submit for the record the gas nominations for the month of September, 1939. These nominations will be submitted.

MR. FOSTER. Mr. Chairman, will you hear from me a minute?

CHAIRMAN SMITH. Go ahead, Mr. Foster.

MR. FOSTER. My name is R. H. Foster, I represent Landreth Production Corporation, Fort Worth, Texas. Just two or three suggestions in line with the testimony that has been introduced today. In the first place, we have a patient that has been operated on, we should get all of the disease out of his body so that the remedy to be applied may be effective. To that end we should continue in the reduction of the crude stocks to the proper level as indicated by Mr. Roeser a while ago.

I care not whether we do that by shutting down from 15 — another 15 day period, or whether we might shut down every other day through September, and then every third day through October, November and December with no exceptions, or make a horizontal cut of all allowables up to as high as 20%, whatever is necessary, and the retention of the Saturday and Sunday shut down.

There might be some other program, but one or the other of those, to my mind, the second one is the sound one. Then when we get the stocks to the right level to prevent waste whether of raw or finished products, we should keep production within consumptive demands and Bureau of Mines estimate. In accomplishing this justice and prudence demands that your order, Mr. Commissioner, should contemplate the following things, in my judgment.

First, we should have a four months order so as to reveal a program of definite proporations for the remainder of this year. Second, you should make a careful study of all fields, for your engineers to discuss and suggest remedies for the inequalities which unquestionably exist between fields.

Third, check the fields closely for excessive rates of flow and

make corrections -- rest assured they exist -- fourth; then when shut downs are ordered make the same complete from Old Ocean, where I am not interested, to Taylor Link, where I am. Fifth, grant no exceptions; change of quotas or special allowables, except in an open hearing and after general notice.

Sixth, don't change the allowable for any field during the current month nor make any such change retroactive.

Seventh, seek to correct short line shortages to the end that allowables granted shall be run and connections completed -- stop selective buying.

Eighth, to discourage drilling, as well as for other reasons, do the following:

(a) Fix top allowable for all fields for the remainder of this year.

Do the same for periods of three months for all times thereafter.

(b) Reduce the allowable granted to discovery wells and wells in new fields to not more than fifty barrels per well for the present time.

Ninth, deny all petitions for exceptions to spacing rules and promote wider spacing, wiser drilling programs in new fields, and thus encourage and drilling upon larger tracts of land, rather than smaller, by giving some preference to wells so drilled.

It takes courage to put this program into effect, but we know that you gentlemen do have the courage to do it.

Let's see that the industry supports you in doing so. Thank you.

MR. BLALOCK. Mr. Chairman, I want to make this statement on behalf of at least one independent refiner who is tonight out of crude oil. If he doesn't secure crude oil immediately available in the territory where his refinery is he will have to close down. If he closes down I anticipate that he will lose customers that it has taken a long time to build.

Q Where is his plant?

MR. BLALOCK. Premier Oil Refining Co., in Longview, Texas, in the East Texas Oil Field.

COMR. THOMPSON. Mr. Blalock, are there not many wells in the East Texas field located near that refinery that haven't had potential tests lately?

MR. BLALOCK. I can't say about that, but I presume that the Commission has been taking those tests every month, because it was on that basis that it issued its order.

COMR. THOMPSON. I have an idea that we can make some potential tests near that refinery on wells belonging to people who are willing to see that he gets the oil, which we can promptly do and give him relief in the morning, tonight if necessary.

MR. BLALOCK. That will be very helpful, and we would like to have at least 25,000 barrels out if we can, tomorrow.

COMR. THOMPSON. That is on the testing of one well, we will test severd and give him plenty.

MR. BLALOCK. That will be fine, that relieves this particular situation.

COMR. THOMPSON. That takes care of that particular refinery.

MR. BLALOCK. There is one other thing that I want to call the Commission's attention to, as well as the oil people, the people engaged in the oil industry, with all the earnestness and sincerity of which my heart is capable. I told you that it is my belief that this business of shutting down oil fields just because somebody happens to have more oil in storage than they want is a dangerous precedent. In other words, it seems to have boiled itself down, Mr. Roeser states, there is about 16,000,000 or 18,000,000 barrels held by a few people that they want to get rid of.

Now, if we establish a precedent of shutting down oil fields because somebody has some oil that they want to get rid of in the future, in order for him to get rid of that, all that he has to do is to cut the price of crude oil, create an emergency and bring about an opportunity by which he can unload unwanted storage. People of the oil industry, I tell you that we are facing a serious crisis; that serious crisis, in my opinion consists of the Federal Government moving in under a declaration of providing for the National Defense in the next few hours and taking over the oil industry, and I plead with the majors, with the independents, with the conservation commissions of every state, don't create a situation that will bring about an opportunity for a small minority to take over the administration of your business at the hands of the Federal Government.

I plead with you, mend your differences among yourselves to the end that we may be permitted through the years to come to manage at least

a small part of our own business, looking to the welfare of this industry and those engaged in it, as well as that of the American people.

CHAIRMAN SMITH. Thanks, Mr. Blalock.

Ladies and gentlemen, we want to thank you for your fine conduct today and your cooperation in helping us put over this program. We want to say again how grateful we are to our friends from other states who appeared here today. We hope you will visit us again some time, and the Commission of Texas will give you an opportunity.

The hearing is adjourned.

* *

THE STATE OF TEXAS

COUNTY OF TRAVIS

I, W. E. McGuire, Official Reporter for the Oil and Gas Division, Railroad Commission of Texas, do hereby certify that the above and foregoing 126 pages constitutes a full, true and correct transcript of the evidence adduced and proceedings had at a state wide hearing held by said Railroad Commission of Texas on August 28, 1939, in the Hall of the House of Representatives, Austin, Texas.

I further certify that same is now on file with and constitutes an official document of said Railroad Commission.

In testimony whereof I hereunto set my hand and affix the seal of said Railroad Commission of Texas this the 5th day of September, A.D., 1939.

W. E. McGUIRE (signed)
Official Reporter

(Seal)

REPORT

TO

OIL CONSERVATION COMMISSION

OF

THE STATE OF NEW MEXICO

AND TO THE

OIL OPERATORS OF NEW MEXICO

ON

THE SUSPENSION OF PRODUCTION OF CRUDE OIL

(August 17, 1939 to Sept. 1, 1939)

Hobbs, New Mexico
September 11, 1939

I N D E X

	PAGE
Introduction - - - - - - - - - - - -	3
Order #196 to Prohibit Production	3
Exceptions to Order #196 - - - - -	4
Table Listing Exceptions - - - - -	4-7 inc.
Permits to Run Oil During Shut-In Period - - - - - - - - - - - - -	7
Table Listing Permits - - - - - -	8
Recapitulation Tables on Exceptions and Total Oil Moved in State - -	9
Order #197 Restoring Normal Production - - - - - - - - - - - -	10-11 inc.

INTRODUCTION

On August 16, 1939 the Oil Conservation Commission of the State of New Mexico issued Order No. 196 prohibiting the production of crude oil in order to prevent waste. The order covered the fifteen (15) day period beginning August 17, 1939 at 7:00 A.M. and ending September 1, 1939 at 7:00 A.M.

BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

IN THE MATTER OF SUSPENDING PRODUCTION OF CRUDE

OIL IN NEW MEXICO FOR A FIFTEEN DAY PERIOD

EMERGENCY ORDER NO. 196

ORDER OF THE COMMISSION

BY THE COMMISSION

WHEREAS, it appears that the immediate production of crude oil tends to create waste because of an unstable condition of the petroleum industry an emergency is hereby declared.

It is therefore ordered that all production of crude oil in New Mexico be suspended for a fifteen day period beginning 7 o'clock A.M. August 17, 1939 and ending 7 o'clock A.M. September 1, 1939.

OIL CONSERVATION COMMISSION

BY: John E. Miles, Governor State of N.M.

A. Andreas, State Geologist

Frank Worden, Land Commissioner

The following telegram was received at the Proration Office, Hobbs, during the evening of August 16, 1939:

HONORABLE GLE NN STALEY
PRORATION UMPIRE

THE COMMISSION TONITE SIGNED EMERGENCY ORDER NO. 196 TO PREVENT WASTE ORDERING THAT ALL PRODUCTION OF CRUDE OIL IN NEW MEXICO BE SUSPENDED FOR A FIFTEEN DAY PERIOD BEGINNING WITH SEVEN O'CLOCK A.M. AUGUST SEVENTEENTH 1939 AND ENDING AT SEVEN O'CLOCK A.M. SEPTEMBER FIRST 1939.

NEW MEXICO OIL CONSERVATION COMMISSION

EXCEPTIONS TO ORDER

As there were several wells which would have been irreparably damaged due to water flooding and also as gas wells were needed to supply municipalities, the Commission granted exceptions from Order No. 196. On August 22, 1939 Glenn Staley, Proration Umpire at Hobbs, and Roy Yarbrough, Oil and Gas Inspector at Hobbs, were authorized by the Commission to grant such exceptions as they thought necessary.

SANTA FE, NEW MEXICO
AUGUST 22, 1939

GLENN STALEY
HOBBS, N.M.

GLENN STALEY AND ROY YARBROUGH ARE AUTHORIZED BY THE COMMISSION TO OK EXCEPTIONS TO THE GENERAL SHUTDOWN ORDER AND ARE ALSO AUTHORIZED TO ALLOW PIPE LINE RUNS FROM WELLS THAT HAVE BEEN EXCEPTED FROM SAID ORDER. CONFIRMATION IS BEING MADE BY LETTER.

NEW MEXICO OIL CONSERVATION COMMISSION
BY FRANK WORDEN, SECRETARY

Exceptions were granted to the following listed wells; all oil produced, however, will be deducted from their allowable during the next proration period. No well was granted an allowable during the shutdown period and all wells excepted from Order No. 196 were produced at as low a rate as was practical:

TABLE OF EXCEPTIONS TO ORDER NO. 196 BY COMPANIES

COMPANY	FIELD	LEASE	WELL	REMARKS
AMERADA PET. CORP.	Hobbs	Hardin	1	89% water
			2	95% "
			3	25% "
		State A	2	Gas for Hobbs
		" B	4	60% water
		" C	1	32% "
		" E	1	55% "
			2	16% "
	Cooper	Everett	1	99% "
			2	70% "
			3	33% "
		Isbell	2	95% "
	Jal	Dyer	1	97% "
	Monument	Byrd	3	Gas for pump station
ATLANTIC RFG. CO.	Hobbs	Grimes	1	80% water
		Bradley	1	87% "

COMPANY	FIELD	LEASE	WELL	REMARKS
BARNSDALL OIL CO.	Jal	Forrist		80% water
BROWN, EVA	Artesia	Allen	1-8	water
COCKBURN, BARNEY	Penrose	Hattern	1	water
CONTINENTAL OIL CO.	Rattlesn.			30 wells making water
	Hobbs	State A-5	1	water
	Monument	Britt B-10	1	"
		State A-7	1	"
		Sand. B-10	2	"
			3	"
		Britt B-15	3	"
	Eunice	Meyer A-18	4	"
	Cooper	Gates A-23	1	"
		Vaughn A-14	1-5	"
		" A-15	1	"
	Jal	Wells A-11	1	"
		Sholes B-13	2	"
	Eaves	Eaves A-19	1	"
		" A-30	2	"
		" B-30	1	"
		McCallister A	2	"
DANGLADE-CLOVER	Hardy	Currie	1	water
		Turner	1	Gas for house
	Penrose	Xmas-Cowden	1	water
		Clifton	1	"
		Panda	1	"
		Xmas	2	Gas for drlg.
	Skelly	Glier	1	water
		" B	1	"
FARRELL, J.E.	Penrose	Walden A	1	water
		" C	1	"
GENERAL CRUDE OIL	Cooper	Cushing	1	93% water
		Myers	1-3	89% "
		State F	1	80% "
		Woolworth	1	94% "
	Lynch	State B	1-2	86% "
			4	66% "
GULF OIL CORP.	Hobbs	Hardin	1	water
		W. Grimes	4	"
		E. Grimes	1	Gas to Hobbs
			3	"
			4	Test after packer
		W. Grimes	3	water
	Eunice	A. Ramsey C	3	"
		Houston	4	"
		Butler	1	"
		Felton	1	"
		White	4	"
		Campbell	2	"
		Bell Ramsey B	1	Remedial work
	Cooper	G.E. Cooper	1	water
		A. Ramsey	2	"
	S. Eunice	Greer	1	"

COMPANY	FIELD	LEASE	WELL	REMARKS
GULF-CONT'D.	Langlie	Shahan	1	...ter
		Stuart	1	Gas for drlg.
	Penrose	McCormick	5	"
		Baker	1-2	Treating wells
HARTWELL	Artesia	Brainard	1-3	water
		Mann	1	"
		State	1	"
HUMBLE OIL & RFG.	Cooper	Coates	4	water
		J.M. Cooper	1	"
		S.R. Cooper	1	"
		Mosely	2	"
		Harrison	1	"
	Jal	Lindley A	1-2	"
	Eunice	State B	1	"
ITALO PET. CORP.	Langlie	Carlson B	1	water
		Wells B-5	2	"
		B-4	1	"
LANDRETH PROD. CO.	Hobbs	State C	1	65% water
	Penrose	Grizzell	2-3	10% water
MAC & STAUFFER	Penrose	Grizzell	2	water
OLEAN PET. CO.	Penrose	Boyd	1	water
PHILLIPS PET. CO.	Cooper	Woolworth	13	water
REPOLLO OIL CO.	Jal	Hanagan	3	50% water
	Eunice	Brownlee	1	95% water
		State "176"	2	70% water
			6	54% water
	Hardy	Turner	2	15% water
		York	1	15% water
REPUBLIC PROD. CO.	Langlie	Crosby B	1	90% water
SHELL OIL CO. INC	Hobbs	Grimes	1	Gas for Hobbs
		State D	2	water
	Lynn	State A	1	"
SKELLY OIL CO.	Jal	Joyner	1	56% water
	Hobbs	State A	1	92% "
	Monument	Mon State	1	23% "
			2	38% "
STANOLIND OIL-GAS	Cooper	Meyers A	1-5	water
		" B	1-2	Gas to lift Meyers A
	Eaves	Farnsworth A	2-4	water
		"	1	Gas to lift A 2-4
			5	Gas to El Paso
		" B	2-3	"
	Langlie	Langlie A	1	Gas-domestic
	Hobbs	State A "1"	11	Gas to Hobbs
		Thorpe	26	"
		Turner "2"	29	"
		State A "5"	26	"
	S. Lovin.	State E	1	Gas for drlg.
	Jal	Gregory A	22	Gas for El Paso

COMPANY	FIELD	LEASE	WELL	REMARKS
STANOLIND-. TD.	Jal	Gregory B		Gas for El Paso
		" C	1	"
TEXAS CO.	Jal	Shephard B	2	water
		Cagle B	2	Gas to El Paso
	Rhodes	Rhodes A	1-2	"
	Cooper	Ogg A	1-5	water
		" B	1-2	"
	Eunice	Rector	1-4	"
	Lynch	State A	1-4	"
TWO STATES OIL CO.	Eunice	Atha	1	water
	Monument	Etcheverry	1-2	"
WESTERN GAS CO.	Cooper	Watkins	1	Gas to El Paso
	Mattix	Harrison	2-4	"
W.K. ROYALTY CO.	Artesia	State B	1-2	Gas for domestic
WOODLEY PET. CO.	Langlie	Cook	1	water

PERMITS TO RUN OIL

On August 17, 1939 at 7:00 A.M. when Order No. 196 went into effect several companies had oil in storage that was produced prior to August 17, 1939. The Oil Conservation Commission granted permission to all pipe line companies to move this oil during the shut-in period. The total amount of storage oil moved was 76,557 barrels, of which 34,158 barrels came from the Magnolia Oil Company's tank in the Vacuum Area and was oil produced between December, 1937 and April, 1938, which could not be moved before August 17, 1939, due to overcrowded pipe line facilities.

Also, some of the wells that were permitted to operate during the shut-in period did not have adequate storage, so the Oil Conservation Commission granted them the necessary permission to move such oil as necessary to facilitate operations. This oil to be deducted from their allowables during the following proration periods. The total amount of oil moved under these permits was 11,593 barrels. Permits were issued to the following companies:

TABLE OF PERMITS TO MOVE OIL BY COMPANIES

COMPANY FIELD	LEASE		AMOUNT
~~AMERADA PET. CORP.~~ Cooper	Everett		562 bbls.
CONTINENTAL OIL CO.			
Jal	Wells A-11	1	500 bbls.
Cooper	Vaughn A-15	1	500 "
Monument	Britt B-10	1-2	500 "
Hobbs	State A-5	1	500 "
Monument	State A-7	1	200 "
	Sanders. B-10	2-3	500 "
GULF OIL CORP.			
Hobbs	N. Grimes	4	800 bbls.
Eunice	Butler	1	650 "
	Felton	1	500 "
Eaves	V. Ramsey	1	250 "
"			250 "
Langlie	Shahan	1	500 "
ME-TEX			
Artesia	State	1	500 bbls.
REPUBLIC PROD. CO.			
Langlie	Crosby		500 bbls.
SKELLY OILCO.			
Hobbs	State A	1	500 bbls.
Monument	Monstate	1-2	500 "
Jal	Joyner	1	500 "
STANOLIND OIL & GAS CO.			
Eaves	Farnsworth A		1000 bbls.
Hobbs	Thorpe	26	500 "
Cooper	Myers A		1500 "
Langlie	Langlie A		1000 "
THE TEXAS CO.			
Cooper	Ogg B		225 "
"	" A		1323 "
Eunice	Rector		788 "
SAM WEINER			
Langlie	Smith		500 "

Permits total 15,548 bbls. oil
Actual runs 11,593 bbls. oil

RECAPITULATION TABLES

TABLE NO. 1

EXCEPTIONS TO ORDER NO. 196

Total wells in State - - - - - - - - - - 3,100

Total wells excepted - - - - - - - - - 203 or 6.55 %

Total wells excepted for water - - - - 168 or 5.42 %

Total wells excepted for gas - - - - - 35 or 1.13 %

TABLE NO. 2

CRUDE OIL RUNS 8-17-39 TO 9-1-39

PIPE LINE OR REF. CO.	OIL PROD. BEFORE 8-17-39	PERMITS OIL PRODUCED AFTER 8-17-39	TOTAL OIL RUN
ATLANTIC P.L.	19,178	1,834	21,012
SHELL P.L.	1,120	2,903	4,023
TEXAS-NEW MEXICO	44,910 *	4,638	49,548 *
HUMBLE P.L.	9,162	1,019	10,181
GULF P.L.	400	836	1,236
GULF OIL CORP.		363	363
WARREN RFG. CO.			
NEW MEXICO P.L.			
MURCH. & CLOSUIT			
VALLEY RFG.	1,111		1,111
TRIANGLE RFG.			
PECOS DIAMOND RFG	676		676
TOTAL	76,557*	11,593	88,150*

* = 34,158 barrels in tank storage Vacuum Area produced between December, 1937 and April, 1938. This oil could not be moved before this date due to lack of pipe line facilities.

As Order No. 196 was emergency order for the fifteen day period August 17, 1939 to September 1, 1939 and under the state law no extension could be made without holding a hearing; therefore, on August 31, 1939 the Oil Conservation Commission met in Santa Fe, N.M. and considered the suspension of production for such further period that should be necessary. The Commission at the conclusion of this hearing issued Order No. 197 restoring normal production of crude oil in the State of New Mexico.

BEFORE THE OIL CONSERVATION COMMISSION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO FOR THE PURPOSE OF CONSIDERING:

THE SUSPENSION OF PRODUCTION OF CRUDE PETROLEUM IN NEW MEXICO FOR SUCH FURTHER PERIOD AS MAY BE NECESSARY (UPON THE EXPIRATION OF EMERGENCY ORDER NO. 196 OF THE NEW MEXICO OIL CONSERVATION COMMISSION OR ANY MODIFICATION THEREOF) IN ORDER TO PREVENT WASTE.

CASE NO. 08

ORDER NO. 197

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing August 31, 1939, at Santa Fe, New Mexico, with reference to the above designated matter.

The Commission considered the testimony adduced and the oral motion before the Commission for the dismissal of the proceedings herein and the restoration of production to normal allowable, there being no objection raised before the Commission by those appearing at the hearing herein, and it appearing to the Commission that stocks of crude petroleum are reduced to the point wherein a normal allowable of crude petroleum would not at this time be in excess of reasonable market demand so as to result in waste.

IT IS THEREFORE ORDERED that the proceedings herein be dismissed without prejudice and that normal production of crude petroleum be allowed by the Commission to begin at seven o'clock A.M. September 1, 1939, the expiration time of Emergency Order No. 196.

OIL CONSERVATION COMMISSION

Sgd. John E. Miles, Governor State of N.M.

Frank Worden, Land Commissioner

A. Andreas, State Geologist

This report respectfully submitted,

Glenn Staley
Lea County Operators Committee

Roy Yarbrough
Oil & Gas Inspector

NEW MEXICO OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

September 18, 1939

Honorable Glenn Staley
Proration Umpire
Hobbs, New Mexico

Dear Mr. Staley:

Request has been made that those wells having export connections within the Artesia-Grayburg-Jackson-Malgamar area be allowed to produce between September 18 and October 15, 1939, 45,000 barrels of oil for export purposes only so as to fill the pipe line in order that the delivery of export oil will not be unduly delayed.

Permission is herewith granted to produce 45,000 barrels of oil for export purposes only from those wells having export connections within the Artesia-Grayburg-Jackson-Malgamar area for the purpose of filling the pipe line in order to prevent undue delay in accomplishing export, subject, however, to the following conditions: The permission herein is not to be interpreted as an extra allowable, but merely permission to make the runs as advance allowables to be charged back against the allowables of the wells making such advance runs. This permission is intended to alleviate an emergency, to-wit, the filling of the pipe line to prevent delay in making export delivery.

This letter shall be the authority of the Proration Umpire to permit the runs as indicated in the permission granted hereinabove.

Very truly yours,

Frank Worden, Secretary
Oil Conservation Commission

FW:ik

C O P Y

WESTERN UNION

1220

R. B. WHITE, PRESIDENT
NEWCOMB CARLTON, CHAIRMAN OF THE BOARD
J. C. WILLEVER, FIRST VICE-PRESIDENT

SYMBOLS
DL = Day Letter
NL = Night Letter
LC = Deferred Cable
NLT = Cable Night Letter
Ship Radiogram

(22)

...ime shown in the date line on telegrams and day letters is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination

...ved at

VE100 97 DL=HX FORTWORTH TEX 12 1226P 1937 SEP 12 PM 12 38

HON FRANK WORDEN=
LAND COMMISSIONER

TEXAS NEWMEXICO PIPE LINE HAS BEEN ADVANCING US OIL AT HOUSTON AGAINST OIL WE HAVE IN LINE IN TRANSIT BUT ARE NO LONGER ABLE DO SO ACCOUNT SHUT DOWN SHORTAGE STOP IMPERATIVE GET APPROXIMATELY FIFTY THOUSAND BARRELS IN LINE FOR EXPORT EARLIEST POSSIBLE IN ORDER OIL REACH COAST FOR OCTOBER LOADING IN ACCORDANCE CONTRACT STOP SEE NO WAY GETTING OIL IN LINE QUICKLY EXCEPT under EMERGENCY Allowable ...E AS BACK ALLOWABLES FICTICIOUS WILL YOU AUTHORIZE ADVANCE ALLOWABLE FIFTY THOUSAND FOR EXPORT FROM EXPORT LEASES TO BE MADE UP AT YOUR COMMAND FROM FUTURE EXPORT ALLOWABLE=

R F WINDFOHR.

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

H E A R I N G

BEFORE THE OIL CONSERVATION
COMMISSION OF THE STATE
OF NEW MEXICO.

Held in the Office of Governor,
State Capitol Building, at Santa Fe,
New Mexico, at nine o'clock A. M.,
August 31, 1939.

PRESENT: GOVERNOR JOHN E. MILES, Chairman;
FRANK WORDEN, State Land Commissioner, Secretary;
A. ANDREAS, State Geologist;
CARL B. LIVINGSTON, Attorney for Oil Conservation Commission;
J. O. SETH, Santa Fe, New Mexico;
S. P. HANNIFIN, of Magnolia Petroleum Co., Roswell, New Mexico;
GLENN STALEY, Proration Umpire, Hobbs, New Mexico;
N. E. BARNETT, Tide Water Assoc. Oil Co., Midland, Texas;
ROBERT L. IMLER, Repollo Oil Co., Tulsa, Oklahoma;
DELMAR R. GUINN, Cities Service Oil Co., Hobbs, New Mexico;
O. D. CRITES, Shell Oil Co., Inc., Houston, Texas;
ROY YARBROUGH, Oil Conservation Commission, Hobbs, New Mexico;
A. E. WILLIG, The Texas Co., Fort Worth, Texas.

The hearing was opened by Governor Miles.

THEREUPON, at the request of Mr. Worden, the Notice for Publication for the hearing was read by Mr. Livingston, as follows:

"NOTICE FOR PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

"Pursuant to Chapter 72, Session Laws of 1935, State of New Mexico, by which Act the Oil Conservation Commission of New Mexico was created, investing said Commission with the jurisdiction and authority over all matters relating to the conservation of oil and gas in this State and of the enforcement of all provisions of said Act, notice is hereby given that a public hearing will be held at the Capitol, Santa Fe, New Mexico, on the 31st day of August, 1939, at nine o'clock A. M., for the purpose of considering the following:

"Case No. 18.
The suspension of production of crude petroleum in New Mexico for such further period as may be necessary (upon the expiration of Emergency Order No. 196 of the New Mexico Oil Conservation Commission or any modification thereof) in order to prevent waste.

"Any person having any interest in the subject of the said hearing shall be entitled to be heard.

"Given under the seal of said Commission at Santa Fe, New Mexico, on August 19, 1939.

OIL CONSERVATION COMMISSION

(SEAL)

By (Sgd.) FRANK WORDEN

By (Sgd.) A. ANDREAS"

BY MR. WORDEN: Gentlemen, you have just heard the reading of the Notice of Hearing, and the Commission at this time is ready to proceed.

BY MR. SETH: Gentlemen, I am here as a royalty owner in the Eunice Pool. Mr. Crites of the Shell is here and is thoroughly conversant with the situation, and I suggest he be sworn in and give such facts as he has and his views.

Thereupon, Mr. Crites was called and duly sworn by the Land Commissioner. Mr. Crites testified as follows:

EXAMINATION BY MR. SETH.

Question: State your name please.

Answer: O. D. Crites.

Q. By whom are you employed and in what capacity?

A. Shell Oil Company, Incorporated, as Manager of Crude Oil Department.

Q. Does your company purchase oil?

A. Yes, sir.

Q. Are you familiar with general statistical position of the industry?

A. I am.

Q. Mr. Crites, I am sure the Commission would like to have such facts and opinions as you may care to give concerning the continuance or let-up of the shutdown that was ordered by an emergency order of the Commission and which I think expires tomorrow morning at seven o'clock.

A. All right, sir. I would first like to give a few figures that I have taken off of the Bureau of Mines reports and A.P.I. reports. For the week ending August 26, crude runs to stills in the United States were 3,475,000 barrels per day. For the previous week, August 19, it was 3,575,000 barrels per day. The figures for daily crude runs for a year ago amounted to 3,269,000 barrels per day. It may be noted the runs at this time are considerably in excess of those for a year ago. Gasoline stocks reported as of August 26 are 73,475,000 barrels. For the previous week, ending August 19, or as of August 19, gasoline stocks showed 74,738,000 barrels, or a reduction of only 1,263,000 barrels. I might say that during the shutdown period, and which in my opinion is borne out by past history, this shows only a normal reduction during the summer months. Gasoline stocks of a year ago at this time were 71,893,000 barrels and it may be noted that stocks as of the present time are in excess of stocks of a year ago. Crude stocks as of August 12 amounted to 267,536,000 barrels. According to some testimony taken at Austin which I read about (I didn't attend the meeting), some of the statisticians thought the stocks would be around 250,000,000 barrels. I think they will probably be less than that because production ending the week of August 26, according to the A.P.I. figures, showed 1,423,000 barrels, while crude runs showed 3,475,000 barrels. It looks to me like crude is coming from stocks at the rate of two million barrels a day, which if true would put stocks down to 237,000,000 or 240,000,000 barrels. In my opinion, that is probably about the minimum of crude stocks that can be used as a safe margin to work on. I think from these figures I have just read that probably the State is justified in lifting the shutdown and resuming production, but I would recommend a curtailed rate so as to hold crude stocks down and perhaps limit these refinery runs that seem to be excessive and are keeping gasoline stocks up.

Q. You would recommend, then, that the State resume normal production of crude at a somewhat reduced rate?

A. Yes, sir, I would recommend they resume production, but at a reduced rate.

MR. SETH: That's all.

MR. WORDEN: Mr. Livingston, do you have any questions to ask the witness?

MR. LIVINGSTON: From the figures you gave from statistics, I gather it is your opinion that the excess of crude petroleum upon the market is somewhat materially reduced?

MR. CRITES: Yes, crude petroleum - yes, sir, Mr. Livingston, but not our gasoline stocks.

GOVERNOR MILES: Our gasoline stocks are more now than at this time a year ago?

MR. CRITES: Yes, sir, Governor, they are. The gasoline stocks as of August 19, are 74,738,000 barrels, while a year ago at the same time they were 71,893,000, so gasoline stocks are somewhat above those for this time last year.

GOVERNOR MILES: Does anybody else have anything to say?

MR. ANDREAS: I don't have anything to ask Mr. Crites, but I see we have representatives of other companies who might have something they would like to say. Mr. Imler, do you want to offer any testimony?

MR. IMLER: I think not. I am not qualified to give any statistics and I am here more or less as an observer to report back whatever action the Commission takes.

MR. A. E. WILLIG, representative of The Texas Company, then requested the Commission to take some action relative to oil produced by wells which were exempt from the shutdown order, and it was decided by the Commission that if and when the shutdown was lifted, the Commission would take into consideration the condition and history of each well exempt from the shutdown order, at which time such action as necessary would be taken relative to the oil produced from such wells.

MR. SETH: If nothing further is to be brought up, I move that the shutdown be allowed to terminate at seven o'clock tomorrow morning, and that the proceedings leading up to this hearing be dismissed and the Commission proceed to determine the amount of oil that may be produced without waste in the State as a whole. In other words, that production of oil be resumed beginning at seven o'clock tomorrow morning.

GOVERNOR MILES: This is agreeable to me.

MR. WORDEN: I know the Governor has plenty of other troubles and I imagine we have done everything necessary for us to do here to arrive at a decision. We will, in that case, recess this meeting for the purpose of considering the adoption of an order lifting the shutdown and for the further purpose of setting our allowable for the month of September. So if there is nothing further, this meeting will be recessed.

WHEREUPON, the meeting was recessed.

The members of the Commission reconvened, and an order lifting the shutdown was adopted. The allowable for the month of September was set by the Commission at 97,000 barrels per day.

There being no further business to come before the hearing, the hearing adjourned.

STATE OF NEW MEXICO)
County of Santa Fe) ss.

I, Irene Kershner, hereby certify that the above and foregoing three and a fraction pages of typewritten matter constitute a true, correct and complete transcript of the shorthand notes taken by me at the hearing before the Oil Conservation Commission held in the office of the Governor, State Capitol Building, Santa Fe, New Mexico, on Thursday, August 31, 1939.

Those in attendance in Hearing upon case 18 – Matter of Suspension of Production of Crude Petroleum in New Mexico for such further period as may be necessary (upon the expiration of Emergency Order No. 196 of New Mexico Oil Conservation Commission or any modification thereof) in order to prevent waste.

NAME	COMPANY	ADDRESS
Carl B. Livingston	Oil Conservation Com.	Santa Fe
~~S. P. Hamilton~~	~~Magnolia~~	~~Roswell~~
~~Glenn Staley~~	~~Proration Office~~	~~Artesia~~
~~N. E. Barnett~~	~~Ind. Water Assoc.~~	~~Midland~~
Robt. L. Imler	Pepollo	Tulsa
~~Nelson P. Guinn~~	~~Cities Service Oil Co~~	~~Hobbs~~
~~W. B. Hinkle~~	~~Shell Oil Co.~~	~~Houston~~
Roy Yarbrough	Oil Conservation Com	Hobbs
~~J. D. Sect~~		~~Dept~~
~~C. P. Hamilton~~	~~Oil Cons. Comm~~	~~Santa Fe~~
A. E. Utz	The Texas Co	Ft. Worth, Tex.

BEFORE THE OIL CONSERVATION
COMMISSION OF THE STATE
OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO FOR THE PURPOSE OF CONSIDERING:

THE SUSPENSION OF PRODUCTION OF CRUDE PETROLEUM IN NEW MEXICO FOR SUCH FURTHER PERIOD AS MAY BE NECESSARY (UPON THE EXPIRATION OF EMERGENCY ORDER NO. 196 OF THE NEW MEXICO OIL CONSERVATION COMMISSION OR ANY MODIFICATION THEREOF) IN ORDER TO PREVENT WASTE.

CASE NO. 18.

ORDER NO. 197.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing August 31, 1939, at Santa Fe, New Mexico, with reference to the above designated matter.

The Commission considered the testimony adduced and the oral motion before the Commission for the dismissal of the proceedings herein and the restoration of production to normal allowable, there being no objection raised before the Commission by those appearing at the hearing herein, and it appearing to the Commission that stocks of crude petroleum are reduced to the point wherein a normal allowable of crude petroleum would not at this time be in excess of reasonable market demand so as to result in waste,

IT IS THEREFORE ORDERED that the proceedings herein be dismissed without prejudice and that normal production of crude petroleum be allowed by the Commission to begin at seven o'clock A. M., September 1, 1939, the expiration time of Emergency Order No. 196.

OIL CONSERVATION COMMISSION

By _____
Governor

By _____
Commissioner of Public Lands

By _____
State Geologist

NOTICE FOR PUBLICATION

STATE OF NEW MEXICO

OIL CONSERVATION COMMISSION

Pursuant to Chapter 72, Session Laws of 1935, State of New Mexico, by which Act the Oil Conservation Commission of New Mexico was created, investing said Commission with the jurisdiction and authority over all matters relating to the conservation of oil and gas in this State and of the enforcement of all provisions of said Act, notice is hereby given that a public hearing will be held at the Capitol, Santa Fe, New Mexico, on the 31st day of August, 1939, at nine o'clock A. M., for the purpose of considering the following:

Case No. 18.

The suspension of production of crude petroleum in New Mexico for such further period as may be necessary (upon the expiration of Emergency Order No. 196 of the New Mexico Oil Conservation Commission or any modification thereof) in order to prevent waste.

Any person having any interest in the subject of the said hearing shall be entitled to be heard.

Given under the seal of said Commission at Santa Fe, New Mexico, on August 19, 1939.

OIL CONSERVATION COMMISSION

By Frank Wordem
Commissioner of Public Lands

By R. Andrews
State Geologist.

N. Mex. Examiner.

Legal Notices

NOTICE FOR PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Pursuant to Chapter 72, Session Laws of 1935, State of New Mexico, by which Act the Oil Conservation Commission of New Mexico was created, investing said Commission with the jurisdiction and authority over all matters relating to the conservation of oil and gas in this State and of the enforcement of all provisions of said Act, notice is hereby given that a public hearing will be held at the Capitol, Santa Fe, New Mexico, on the 31st day of August, 1939, at nine o'clock A. M., for the purpose of considering the following:

Case No. 18.

The suspension of production of crude petroleum in New Mexico for such further period as may be necessary (upon the expiration of Emergency Order No. 196 of the New Mexico Oil Conservation Commission or any modification thereof) in order to prevent waste.

Any person having any interest in the subject of the said hearing shall be entitled to be heard.

Given under the seal of said Commission at Santa Fe, New Mexico, on August 19, 1939.

OIL CONSERVATION COMMISSION

(Sgd.) FRANK WORLEY,
Commissioner of Public Lands.

(Sgd.) A. ANDREAS,
State Geologist.

(SEAL)

Ads get

LEGAL NOTICE

Run Aug. 20 and 21

NOTICE FOR PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Pursuant to Chapter 72, Session Laws of 1935, State of New Mexico, by which Act the Oil Conservation Commission of New Mexico was created, investing said Commission with the jurisdiction and authority over all matters relating to the conservation of oil and gas in this State and of the enforcement of all provisions of said Act, notice is hereby given that a public hearing will be held at the Capitol, Santa Fe, New Mexico, on the 31st day of August, 1939, at nine o'clock A. M., for the purpose of considering the following:

Case No. 18.

The suspension of production of crude petroleum in New Mexico for such further period as may be necessary (upon the expiration of Emergency Order No. 196 of the New Mexico Oil Conservation Commission or any modification thereof) in order to prevent waste.

Any person having any interest in the subject of the said hearing shall be entitled to be heard.

Given under the seal of said Commission at Santa Fe, New Mexico, on August 19, 1939.

OIL CONSERVATION COMMISSION

(Sgd.) FRANK WORLEY,
Commissioner of Public Lands.

(Sgd.) A. ANDREAS,
State Geologist.

(SEAL)

AFFIDAVIT OF PUBLICATION

State of New Mexico, }
County of Lea }

I, Thomas G Summers

Publisher

Of the Hobbs Daily News-Sun, a daily newspaper published at Hobbs, New Mexico, do solemnly swear that the clipping attached hereto was published ~~once a week~~ in the regular and entire issue of said paper, and not in a supplement thereof for a

period of two issues ~~weeks~~.

beginning with the issue dated August 20, 1939

and ending with the issue dated August 21, 1939

Thomas G Summers
Publisher.

Sworn and subscribed to before me

this 21 day of August, 1939.

Ora Mayfe Montgomery
Notary Public.

My commission expires Feb 5, 1942

(Seal)

This newspaper is duly qualified to publish legal notices or advertisements within the meaning of Section 3, Chapter 167, Laws of 1937, ~~and payment of fees for said publication has been made.~~

Run Aug. 20 and 21

NOTICE FOR PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Pursuant to Chapter 72, Session Laws of 1935, State of New Mexico, by which Act the Oil Conservation Commission of New Mexico was created, investing said Commission with the jurisdiction and authority over all matters relating to the conservation of oil and gas in this State and of the enforcement of all provisions of said Act, notice is hereby given that a public hearing will be held at the Capitol, Santa Fe, New Mexico, on the 31st day of August, 1939, at nine o'clock A. M., for the purpose of considering the following:

Case No. 16.

The suspension of production of crude petroleum in New Mexico for such further period as may be necessary (upon the expiration of Emergency Order No. 196 of the New Mexico Oil Conservation Commission or any modification thereof) in order to prevent waste.

Any person having any interest in the subject of the said hearing shall be entitled to be heard.

Given under the seal of said Commission at Santa Fe, New Mexico, on August 19, 1939.

OIL CONSERVATION COMMISSION

(Sgd.) FRANK WORDEN,
Commissioner of Public Lands.
(Sgd.) A. ANREAS,
State Geologist.

(SEAL)

Affidavit of Publication

August 21, 1939

STATE OF NEW MEXICO
COUNTY OF SANTA FE
CITY OF SANTA FE } ss.

I, Larry Byrnow, hereby swear and affirm that I am the Publisher of the New Mexico Examiner, a newspaper of general circulation in the City of Santa Fe, the County of Santa Fe, and the State of New Mexico, printed daily in the City of Santa Fe; that the attached is a true copy of Publication as it appeared in the New Mexico Examiner, issues of August 20, 1939, in a full and complete edition of the paper.

This newspaper is duly qualified to publish legal notices or advertisements within the meaning of Sec. 3, Chapter 167, Laws of 1937.

Signed: Larry Byrnow

STATE OF NEW MEXICO
COUNTY OF SANTA FE
CITY OF SANTA FE } ss.

Larry Byrnow appeared before me this 21 day of Aug, 1939, known to me to be the person above making affidavit, and after being duly sworn, deposes and says that the statements above made are true and accurate to the best of his knowledge.

Edna Draper
Notary Public in and for Santa Fe County, State of New Mexico.

My Commission expires: Apr 24 1943

[redacted] Notice

[redacted] CAS[redacted]

Pursuant to Chapter [redacted] Laws of the State of New Mexico, by which Act the Oil Conservation Commission of New Mexico was created, investing said Commission with the jurisdiction and authority over all matters relating to the conservation of oil and gas in this State and of the enforcement of all provisions of said Act, notice is hereby given that a public hearing will be held at the Capitol, Santa Fe, New Mexico, on the 31st day of August, 1939, at nine o'clock A. M., for the purpose of considering the following:

Case No. 16.

The suspension of production of crude petroleum in New Mexico for such further period as may be necessary upon the expiration of Emergency Order No. [redacted] of the New Mexico Oil Conservation Commission or any modification thereof) in order to prevent waste.

Any person having any interest in the subject of the said hearing shall be entitled to be heard.

Given under the seal of said Commission at Santa Fe, New Mexico, on August 19, 1939.

OIL CONSERVATION COMMISSION
By (Sgd.) FRANK WORDEN
Commissioner of Public Lands
By (Sgd.) A. ANDREAS
State Geologist.
(S E A L)

Published Aug. 20, 1939.

WHY THE HUMBLE OIL AND REFINING COMPANY REDUCED the PRICE of CRUDE

This statement is published as a paid advertisement by Humble Oil and Refining Company for the benefit of those who are interested and not acquainted with the facts.

On August 11 the Humble Company posted reductions in the prices at which it purchased crude oil in Texas and New Mexico by amounts ranging from 5 cents to 42 cents per barrel, and averaging 18.5 cents per barrel. In view of the fact that this action on our part has been severely criticized before the public, we outline below the facts and reasons on which it was based:

1—On August 1 the quantities of crude oil listed below, aggregating 218,920 barrels daily in Texas, Louisiana and Arkansas, were moving to market at prices substantially below the Humble's postings for similar crudes:

Area—Texas	bbls-day
West Central	37,000
Gulf Coast	22,600
Southwest	16,900
East Central	12,800
East Texas Field	6,850
Panhandle	1,500
Total Texas	97,650
So. Louisiana	81,920
N. Louisiana and Arkansas	39,350
Total	218,920

2—The amount of crude moving below Humble's postings was greatly increased of crude moving below our prices have increased steadily, with result that when the reductions of Sinclair-Prairie and others came on Aug. 10, affecting approximately 150,000 barrels of crude per day, conditions were so bad that we were compelled to reduce our prices to meet this competition. In no case are our new postings lower than the Sinclair-Prairie postings for similar crudes.

3—The Humble Company is primarily a producer of oil. Its crude oil properties constitute its principal asset. Its net production averages 133,000 barrels a day. We are also crude oil merchants and purchase, at our posted prices, 251,000 barrels of crude oil daily in Texas and New Mexico. These prices also govern the price at which we sell the oil which we produce. Because of our large production we are vitally interested in the main-

Humble's postings was greatly increased when on August 10 the Sinclair-Prairie Company posted a reduction of 20 cents per barrel affecting the oil produced and purchased by it in Texas, New Mexico, Oklahoma and Kansas which action was followed immediately by reductions in the price made by a number of smaller purchasers. These reductions applied to more than 150,000 barrels of oil. This, added to that mentioned in the preceding paragraphs, equals 368,000 barrels. In the three States in which Humble operates, Texas, New Mexico and Louisiana, the aggregate volume of oil moving below Humble's prices approximated 17½ per cent of the total current production in those States.

3—The movement of constantly increasing quantities over the past year or more of crude produced in the new Illinois fields, reaching a total of 300,000 barrels daily on August 1, on a price basis substantially lower than Humble's postings in its territory, exerted a progressively depressing effect on the crude oil market. The effect was felt in Texas; and actually since April 1 Humble has lost 10,000 barrels per day of business absorbed by Illinois crude. This loss of business was in addition to that lost by Humble as a result of the movement of crude at low prices in the territory where we operate.

4—On August 11, therefore, the total volume of oil moving at prices below those of the Humble was approximately 668,000 barrels.

5—The crude oil market has been under pressure for more than a year. The price adjustments made last October did not remove fully the disparity between Humble's prices and those of some oil moving in its markets. Since that time the volumes

tenance of fair prices.

Our refineries consume something near the amount of oil which we produce. As a consequence, with respect to our purchases we are in the same position as a merchant dealing in any commodity. To continue in business, we can not over a long period of time pay higher prices than our competitors. We are compelled to meet competition. The price of oil, like that of other commodities, is subject to change with market conditions. These are simple and fundamental business principles. We were reluctant to cut the price of crude, not alone because of its adverse effect on our own earnings, but also because of its effect on our customers and upon the industry and the State at large. Under these circumstances we could not continue to pay the prices we had been paying.

7—As a matter of policy the Humble Company maintains stocks of crude oil very slightly in excess of the amount required as working stocks to carry on operations. We do not believe in storage of oil above ground but in production of oil currently as required for market. We do not speculate in oil. We have no desire to buy oil at any price to accumulate for storage.

8—We think the price for oil brought about by the competitive conditions above mentioned is lower than should be realized. In our opinion the flood of oil from Illinois and Louisiana, most of which is being produced wastefully, in violation of conservation principles, is primarily responsible for the market conditions which necessitated our price reductions. It is our hope that these conditions will be corrected and that the market will improve.

H. C. WIESS,
President.

Humble Oil & Refining Company