

Case No.

75

Application, Transcript,
Small Exhibits, Etc.

NO.
Case 75

CHARLES EMMET JOHNSON



CIVILIAN PRODUCTION ADMINISTRATION

~~WAR PRODUCTION BOARD~~

WASHINGTON 25, D. C.

May 1, 1946

Attch^o A

IN REPLY REFER TO:

Chemicals Division
Room 4410 SSB

AIR MAIL

Mr. L. C. Herkness, President
Charles Eneu Johnson and Company
Tenth and Lombard Streets
Philadelphia, Pennsylvania

Dear Mr. Herkness:

The domestic requirements of channel black by the rubber industry for the calendar year 1946 have been stated to us by the Rubber Division of CPA at 626,520,000 pounds. This figure is exclusive of the requirements for Canada, Mexico and other export. The export requirements, not including Canada and Mexico, are estimated to be between 15 and 20 million pounds per month for the balance of this year.

Our original production estimate for channel black was just under 600,000,000 pounds for the year which would show insufficient production to meet the requirements. It appears that more efficient operation has developed slightly larger production than anticipated.

Based on information compiled by the National Gas Products Association provided there are no gas problems, during the 1946 year approximately 630,000,000 pounds of channel black will be produced. This will not take care of the known requirements for domestic, for Canada, Mexico and other export. It should be emphasized also that 630,000,000 pounds estimated as 1946 production will be produced only if there are no gas problems. It would seem that we need an additional 150,000,000 pounds at least, to take care of the requirements of channel black.

It is believed at this time that the requirements for 1947 will be at least equal to those of 1946, and with no additional production facilities it seems that the situation will continue tight during 1947 as in 1946.

Yours very truly,

Wells Martin

Wells Martin, Chief
Plastics and Protective Coatings
Branch

Relat. Ex B

CARBON BLACK EXPORT, INC.

500 FIFTH AVENUE

NEW YORK 18, N. Y.

TELEPHONE
LACKAWANNA 4-9822

CABLE ADDRESS
CARBEXPORT, NEW YORK

May 1, 1946

IN REPLY PLEASE REFER TO HLT:EP

Mr. L. C. Herkness
Chas. Eneu Johnson & Co.
10th & Lombard Streets
Philadelphia, Pa.

Dear Mr. Herkness:

As you know, shipments of channel carbon black during the first quarter of 1946 exceeded production. During the war, world demand for channel black exceeded the available supply and the situation was held in check only by strict economy in the use of channel black and rigid allocation by the government. Even so, stocks fell to the dangerously low level of 22,000,000 pounds, or barely thirteen days production. Following V-J Day, controls were lifted and conversion to peacetime manufacturing began. During the third and last quarters of 1945, demand subsided somewhat because of reconversion both here and abroad and also in part because of strikes. Now, however, the tide has turned and stocks are again being depleted, and at the end of the quarter were only about 60,000,000 pounds.

During the last few weeks it has become increasingly apparent to everyone concerned with the problem that current production had become inadequate to take care of consumption and that the rate of production of rubber goods would increase both in the United States and abroad throughout the year 1946. Under these circumstances it is very difficult to talk about estimated demand. It is a good deal like inquiring what the estimated demand for butter in the United States would be if there were enough of it. There are many ways of calculating minimum requirements and full requirements. The Civilian Production Administration in Washington is giving the matter its most careful attention and while it has as yet made no figures public, I think it is reasonable to say that there isn't anyone in Washington who doesn't believe that world consumption of channel black would be at least 100,000,000 more than the current production if it were available and there are some who think it would be 200,000,000 pounds more.

As this situation came to be appreciated by export buyers, we found ourselves swamped with orders for channel carbon black. In such cases it is always difficult to distinguish between orders placed for normal consumption and panic buying.

The first important point in this problem is to come to some understanding as to how to distribute the inadequate supply as between export and domestic markets. We have taken the position with the Government that the export market represents an asset of long standing and great value to the carbon black industry and that the

From
CARBON BLACK EXPORT, Inc.
500 Fifth Avenue, New York

Sheet No. 2.

To— Mr. L. C. Harkness
Chas. Eneu Johnson & Co.
10th & Lombard Streets
Philadelphia, Pa.

Date May 1, 1946

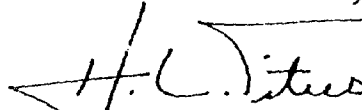
self interest of the carbon black producers and of the United States requires that the export market receive an equitable share. The C. P. A. could have taken steps to have war-time export controls resumed. Carbexport, however, felt that this would result in severe and unjustifiable restriction on export consumers and made a counter-proposal. We agreed that if the C. P. A. would, from month to month, determine what proportion of the channel black supply should find its way into export, we would agree not to export more than this quantity without first telling them of our intention to do so. The C. P. A. in turn agreed that it would not take steps to impose a more rigid control without first notifying us and permitting us to be heard.

The figure fixed for April was 9,000,000 pounds which was a continuation of the average of the previous six months and was a deliberate maintenance of the status quo until there was time for more careful study of the relative needs of the export and domestic markets. This study is proceeding and while no figure has yet been fixed for May, I think it will be at least 9,000,000 pounds and probably more. Perhaps the best yardstick for determining a distribution of channel black is the distribution which has already been agreed upon internationally of the world's synthetic and natural rubber supply.

The best informed estimates in Washington indicate no slackening in the rate of production of rubber goods in the predictable future, so I suspect that we will have to pursue our present course or some similar one at least until such time as increased production provides an adequate supply.

Very truly yours,

CARBON BLACK EXPORT, INC.



H. L. Titus
President

NOTICE OF PUBLICATION
State of New Mexico
OIL CONSERVATION
COMMISSION

The Oil Conservation Commission, as provided by law, hereby gives notice of the following hearings to be held at Santa Fe, New Mexico at 10:00 A. M. May 8, 1946.

Case 72.

In the matter of the application of George F. Brewington, Al Greer, John A. Pierce, O. M. Carroll, Robert L. Maddox and L. G. Stearns for an order to rescind Order No. 541 limiting and fixing spacing of gas wells in the Fulcher Basin Field in San Juan County, New Mexico of one well to 160 acres so as to return to the customary 40-acre spacing of the Oil Conservation Commission.

Case 73.

In the matter of the application of the Richfield Oil Cooperation for an order of approval of the unit agreement for the development and operation of the Comanche Area within T. 10S, R. 25E, and T. 11S, R. 25E, and T. 10S, R. 26E., and T. 11S, R. 26E, and T. 11S, R. 27E, N.M.P.M., constituting a compact unit area of 16, 801.14 acres, Chaves County, New Mexico.

Case 74.

In the matter of the application of the Oil Conservation Commission of the State of New Mexico upon its own motion for a revision of Operators' Monthly Report, Form C-115, effecting all producing counties in New Mexico.

Case 75

In the matter of the application of Charles Eneu Johnson and Company that it be issued a permit in lieu of or as supplemental to and amendatory of the permit issued to it by this Commission on May 25, 1945 to use up to 42,000,000 cubic feet of natural gas per day from the South Eunice Field in Lea County, New Mexico for the manufacture of carbon black in its plant approximately eight and one-half miles South of Eunice, New Mexico, said permit to continue in effect for a term of ten (10) years from the date of the issuance thereof. The applicant in said application further requests that this Commission's Order No. 589, in case 59, be amended with respect to the term thereof so as to have it conform with the term of the permit hereinabove applied for. Order 589, now requested to be amended, is the Order providing for the lifting of the gas-oil ratio for the South Eunice Field for the duration of the war and six months thereafter for the purpose of the use of gas from said field for the manufacture of carbon black when a carbon black plant with facilities is ready.

Given under the seal of said Commission at Santa Fe, New Mexico on April 22, 1946.

OIL CONSERVATION
COMMISSION

By: R. R. SPURRIER,
Secretary.

(SEAL)

Pub: April 25, 1946

Affidavit of Publication

State of New Mexico, } ss.
County of Santa Fe

I, C. B. Floyd, being first duly sworn, declare and say that I am the (Business Manager) Editor of the Santa Fe New Mexico, a daily newspaper, published in the English Language, and having a general circulation in the City and County of Santa Fe, State of New Mexico, and being a newspaper duly qualified to publish legal notices and advertisements under the provisions of Chapter 167 of the Session Laws of 1937; that the publication, a copy which is hereto attached, was published in said paper once ~~each week~~ for one time ~~consecutive weeks~~ on the Sunday of each week in the regular issue of the paper during the time of publication, and that the notice was published in the newspaper proper, and not in any supplement, once ~~each week~~ for one time ~~consecutive weeks~~ the first publication being on the 25th day of April, 1946, and then last publication ~~on the 25th day of April, 1946~~; that payment for said advertisement has been (duly made), or (assessed as court costs); that the undersigned has personal knowledge of the matters and things set forth in this affidavit.

[Signature]
Manager

Subscribed and sworn to before me this 25th day of April, A.D., 1946
[Signature]
Notary Public

My Commission expires June 14, 1949

N.M. Clipping Bureau
Santa Fe, N. M.
APR 26 1946
Hobbs News Sun

LEGAL NOTICES

April 26
NOTICE OF PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION
COMMISSION

The Oil Conservation Commission, as provided by law, hereby gives notice of the following hearing to be held at Santa Fe, New Mexico at 10:00 A. M. May 8, 1946:

Case 74.

In the matter of the application of the Oil Conservation Commission of the State of New Mexico upon its own motion for a revision of Operators' Monthly Report, Form C-115, effecting all producing counties in New Mexico.

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manufacture of carbon black when a carbon black plant with facilities is ready.

Given under the seal of said Commission at Santa Fe, New Mexico on April 22, 1946.

(SEAL)

OIL CONSERVATION
COMMISSION

By:
R. R. Spurrier, Secretary

STATE BUREAU OF MINES & MINERAL RESOURCES
Box 871

Santa Fe, New Mexico

JOHN M. KELLY
DIRECTOR

April 26, 1946

Texas-Pacific Coal Company
Fort Worth, Texas

Gentlemen:

In reply to your telegram of this date, you are
advised that the hearing for the South Eunice
field has been set for 10:00 A. M. May 8, 1946
at Santa Fe.

Very truly yours,

MEM

C
O
P
Y

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

A. N. WILLIAMS
PRESIDENT

1201

DL=Day Letter
NL=Night Letter
LC=Deferred Cable
NLT=Cable Night Letter
Shlo 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.

NY 211 (6) J F F B T T T A 26 2102

THE CONSTITUTION OF CONSCIOUSNESS

ADMIN SITE NAME TO CONFERENCE FIELD=

TEXAS PACIFIC COAL AND OIL CO. TRUCK.

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

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. 75

ORDER NO. 651

THE APPLICATION OF THE CHARLES ENEU
JOHNSON AND COMPANY TO AMEND THE PERMIT
GRANTED TO SAID COMPANY, DATED MAY 25,
1945, TO USE GAS FROM THE SOUTH EUNICE
POOL FOR THE MANUFACTURING OF CARBON
BLACK.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at ten o'clock A. M. May 8, 1946
at Santa Fe, New Mexico before the Oil Conservation Commission of
New Mexico, hereinafter referred to as the "Commission".

Now on this 8th day of May, 1946, the Commission having before
it for consideration the testimony adduced at the hearing of said
case, and being fully advised in the premises;

IT IS THEREFORE ORDERED THAT:

SECTION 1. The Commission hereby grants Charles Eneu Johnson
and Company its permission to use up to 42,000,000 cubic feet per
day of natural gas from the South Eunice Pool for the purpose of
manufacturing carbon black in said company's plant approximately
eight and one-half miles South of Eunice, New Mexico, which permission
is to become effective as and to the extent that said company's pro-
posed facilities for the use of said gas shall become and be ready for
the use thereof for the purpose indicated.

SECTION 2. The order herein is in lieu of this Commission's per-
mission granted to said company for the use of gas from said pool for
carbon black manufacturing purposes dated May 25, 1945, and shall re-
main in effect for so long as and to the extent that the use of said
gas shall not result in or constitute waste as defined in the Oil and
Gas Conservation Laws of the State of New Mexico.

Done at Santa Fe, New Mexico as of the day and year hereinabove
designated.

OIL CONSERVATION COMMISSION

John J. Dempsey
John J. Dempsey, Chairman

John E. Miles
John E. Miles, Member

R. R. Spurrier
R. R. Spurrier, Secretary

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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Given under the seal of said Commission at Santa Fe, New Mexico on April 22, 1946.

OIL CONSERVATION COMMISSION

By:

R. R. Spurrier

R. R. Spurrier, Secretary

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
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Gas Conservation Laws of the State of New Mexico.

Done at Santa Fe, New Mexico as of the day and year hereinabove
designated.

OIL CONSERVATION COMMISSION

(SGD) JOHN J. DEMPSEY, CHAIRMAN

(SGD) JOHN E. MILES, MEMBER

(SGD) R. R. SPURRIER, SECRETARY

SEAL
June 11, 1946

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OIL CONSERVATION COMMISSION

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In the matter of the application of the Oil Conservation Commission of the State of New Mexico upon its own motion for a revision of Operators' Monthly Report, Form C-115, affecting all producing counties in New Mexico.

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Given under the seal of said Commission at Santa Fe, New Mexico on April 22, 1946.

OIL CONSERVATION COMMISSION

By:

R. R. Spurrier, Secretary

SEAL

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OIL CONSERVATION COMMISSION

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Given under the seal of said Commission at Santa Fe, New Mexico on April 22, 1946.

OIL CONSERVATION COMMISSION

By:

R. R. Spurrier, Secretary

SEAL

STATE BUREAU OF MINES & MINERAL RESOURCES
Box 871

Santa Fe, New Mexico

JOHN M. KELLY
DIRECTOR

April 22, 1946

Mr. Fletcher A. Catron
Attorney-at-Law
Elatt Building
Santa Fe, New Mexico

Dear Fletcher:

Re: Case 75, Charles Eneu Johnson and Company -
Application to ammend carbon black permit
and to amend Order 589.

The above-captioned case has been set for hearing at Santa
Fe on May 8, 1946 at 10:00 A. M.

Please acknowledge receipt of this notice.

Very truly yours,

Chief Clerk and Legal Adviser

CBL:mem

C
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STATE BUREAU OF MINES & MINERAL RESOURCES

Box 871

Santa Fe, New Mexico

JOHN M. KELLY
DIRECTOR

C
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Y

April 23, 1946

Honorable Glenn Staley
Proration Office
Hobbs, New Mexico

Dear Glenn:

Re: Notice of publication
Cases Nos. 72, 73, 74, and 75

Enclosed please find notice of the above-captioned hearings, which notice is self-explanatory.

Please indicate that you have received this notice.

With kindest personal regards.

Very truly yours,

Chief Clerk and Legal Adviser

CBL:men
Encl

STATE BUREAU OF MINES & MINERAL RESOURCES

Box 871

Santa Fe, New Mexico

JOHN M. KELLY

DIRECTOR

April 23, 1946

Hobbs Daily News Sun
Hobbs, New Mexico

Gentlemen:

Re: Cases 72, 74 and 75 - Notice for Publication

Please publish the enclosed notice once, immediately. Please proof-read the notice carefully and send a copy of the paper carrying such notice.

UPON COMPLETION OF THE PUBLICATION, PLEASE SEND PUBLISHER'S AFFIDAVIT.

For payment please submit statement in duplicate accompanied by voucher executed in duplicate. The vouchers must be signed by a notary public in the space provided on the back of the voucher. The necessary blanks are enclosed.

Very truly yours,

Chief Clerk and Legal Advisor

CHL:mem

Encl

C
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STATE BUREAU OF MINES & MINERAL RESOURCES

Box 871

Santa Fe, New Mexico

JOHN M. KELLY
DIRECTOR

April 23, 1946

C
O
P
Y

The Santa Fe, New Mexican
Santa Fe
New Mexico

Gentlemen:

Re: Notice for Publication
Cases Nos. 72, 73, 74, and 75

Please publish the enclosed notice once, immediately.
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The necessary blanks are enclosed.

Very truly yours,

Chief Clerk and Legal Adviser

CBL:men
Encls

BOARD THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE PERMIT TO CHARLES
EWE JOHNSON AND COMPANY OF MAY 25,
1945 FOR THE USE OF FORTY MILLION
CUBIC FEET OF NATURAL GAS PER DAY IN THE
MANUFACTURE OF CARBON BLACK IN ITS
EXPANDED PLANT NEAR ELIOT, NEW MEXICO.

No.

P E T I T I O N

Comes now the above named Charles Ewe Johnson and Company
and respectfully shows the Commission:

1. That it is a corporation duly organized and existing under
and by virtue of the laws of the State of Pennsylvania and duly
qualified to engage in business in the State of New Mexico.

2. That heretofore on May 25, 1945, there was issued to your
petitioner by the Oil Conservation Commission of New Mexico a permit
which is in the following words, as far as material:

"The commission hereby grants Charles Ewe
Johnson and Company its permission to use
up to 40,000,000 cubic feet per day of
natural gas to be obtained from the Lea
County Water Company's Compressor Station
in Lea County, New Mexico, for the period
of the duration of the emergency in the
production of automobile and truck tires
and other rubber products.

This permit is granted effective this date
under the authority of Sections 2 and 3 of the
Oil and Gas Conservation Laws of the State
of New Mexico."

3. That prior to the granting of the foregoing permit there
had been entered by this commission in case "59 its order 5370, the
material portion of which is in words and figures as follows, to-wit:

"SECTION 1. That the limiting gas-oil ratio
for the North Texas field provided for in the
Lea County Gas-Oil Ratio Order No. 54, Section
2 (a), shall be superseded by the Commission and
said field shall be placed in Section 2 (b) of
said order for the purpose of release of the use of
gas from said field for the manufacture of carbon
black."

4. That the permit to petitioner in paragraph 2 above quoted was issued to it upon its petition representing that under an agreement with the Defense Plant Corporation it proposed to erect for, and at the expense of said Corporation, a carbon black plant to be located just west of the Texas and New Mexico Railway approximately 8 1/2 miles south of Eunice, New Mexico, in Sections 17, 18, 19 and 20, Township 23 South, Range 37 East, in Lea County, New Mexico. That said plant, as planned, consists of: 6 units of 40 burning houses each, each unit having a capacity of 7 million cubic feet of gas per day, a gas treating plant located in the oil field, cooling system, compressor plant, the pipeline connecting the gas treating plant with the main plant and the necessary dwelling facilities for employees.

5. That thereafter construction of said proposed plant was duly commenced and though the same has been partially completed at a cost of approximately \$2,500,000 the same is not, as it now stands, in a condition to be used for its intended purpose.

6. That thereafter at some time subsequent to the cessation of hostilities between the United States and Japan, the said defense Plant Corporation decided to discontinue the construction of said plant as a government enterprise and as a consequence of said decision and pending the outcome of the negotiations between petitioner and the Reconstruction Finance Corporation, hereinafter referred to, the said plant has, to the date hereof, not been completed or put in operation.

7. That as appears from the permit issued to it by this Commission, petitioner proposed to obtain the natural gas to be used in the said carbon black plant from the Lea County Water Company's compressor station in Lea County, New Mexico, but, as now petitioner is reliably informed and believes, the latter company has disposed of its said compressor station and gathering lines and is no longer in a position to furnish to petitioner the gas referred to.

8. That by reason of the circumstances disclosed in the next preceding paragraph your petitioner has secured options from operators in the South Tunica field owning approximately ninety per cent of the gas produced therefrom, for contracts to purchase the requisite amount of gas for the operation of the carbon black plant here involved, said contracts to be for a term of ten (10) years.

9. That petitioner has further entered into negotiations with the Reconstruction Finance Corporation for the purchase of the partially completed plant, erected as hereinabove set forth, and that said negotiations have progressed to the point where final consummation of the proposed purchase is dependent solely on the favorable action of this Commission on this petition.

10. That as appears from this Commission's Order "580" hereinabove in paragraph 3 referred to, said order was entered for the express purpose of providing for the use of gas from the South Tunica field in the manufacture of carbon black and that as appears therefrom, said order was to become operative

"when a carbon black plant, having obtained permit from the commission to use gas from said field for the manufacture of carbon black, has notified the commission in writing that its facilities are ready for such use and the Commission notified the Production Office of no limiting gas-oil ratio for the purpose herein provided for."

11. As further appears from said order it was to endure for the duration of the war and six months thereafter; that though hostilities between the United States and other nations have ceased, the war has not yet officially been declared at an end.

12. That as appears from said order and from the permit issued to petitioner, there is a lack of uniformity in the provisions thereof relative to the duration of the term of each in that said order was to endure for the duration of the war and 6 months thereafter and said permit was to endure for the emergency in the production of

automobile and truck tires and other rubber products.

13. That the demand for carbon black in the manufacture of the products referred to has increased beyond the ability of the industry and the government to meet the same and that at the present time there exists a severe shortage thereof. That the demand for rubber tires is increasing and will continue to increase and that the present shortage in carbon black will materially interfere with the increased production required.

14. That by reason of all of the circumstances above set forth and in order to justify the proposed purchase and completion by petitioner of said plant and to justify the exercise by it of its options for the purchase of the gas requisite to the operation thereof, it is essential that the provisions of the permit granted by this Commission to petitioner and of this Commission's order #589 (case #59) relative to the duration of each, should be made to conform and that the term of each be extended for a sufficient period to enable petitioner to amortize and recover on its investment. That it is anticipated by petitioner that in addition to the initial cost of purchasing the partially completed plant from the Reconstruction Finance Corporation, the completion thereof will entail an expenditure of approximately \$1,600,000.00, and that in order to enable petitioner to amortize, recover its investment and conduct a successful operation, a minimum term of ten (10) years is essential.

15. Petitioner further respectfully represents that the use of the gas herein involved for the manufacture of carbon black will be a constructive use of gas which, it is informed and believes, would otherwise be wasted or might otherwise be piped out of the State of New Mexico with little advantage to the state or its people; that payments for the gas, if used by petitioner as proposed, will increase royalty payments to the State of New Mexico; that not only will the gas so used be serving to fill a great need in providing carbon black for the national rubber program but it will be serving to establish an industry in the State of New Mexico which otherwise

could not be established, with consequent employment of labor and other benefits; that it will prevent the nearly \$2,500,000.00 already spent by the Federal Government from being wasted and will result in the additional expenditure within the State of New Mexico of the amount required to complete the plant; that it will result in substantially increasing the tax revenues of Lea County and the State of New Mexico and will result in a step forward in the industrial enterprise and progress of the State of New Mexico.

WHEREFORE, petitioner respectfully prays that there be issued to it a permit, in lieu of or as supplemental to and amendatory of the permit issued to it by this Commission on May 25, 1945, to use up to 42 million cubic feet of natural gas per day from the South Eunice field in Lea County, New Mexico, for the manufacture of carbon black in the plant hereinabove referred to, said permit to continue in effect for a term of ten (10) years from the date of the issuance thereof. Petitioner further prays that this Commission's Order #589 in case 59 be amended with respect to the term thereof so as to have it conform with the term of the permit hereinabove applied for.

Petitioner further prays that an early date for hearing hereon be fixed by this Commission and that such notice of said hearing as may be required by law be given forthwith.

CHARLES EMMET JOHNSON AND COMPANY

Charles Emmet Johnson
Its Attorney.