

Case No.

105

Application, Transcript,
Small Exhibits, Etc.

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. 105
ORDER NO. 724

THE PETITION OF THE PANHANDLE CARBON
COMPANY, INC. FOR AN EXTENSION OF THE
PERMIT HERETOFORE GRANTED UNDER DATE
OF NOVEMBER 27, 1944 FOR THE USE OF
WASTE RESIDUE GAS.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This matter coming on for hearing upon the petition and application of PANHANDLE CARBON COMPANY, INC., for an extension of the permit heretofore granted to it to use certain residue gas from the Phillips Petroleum Company, Gasoline Extraction Plant in the "Eunice" field, Lea County, New Mexico to the amount of approximately thirty million cubic feet per day for use in the manufacture of channel carbon black, and

Due notice of hearing upon said application having been published as provided by law fixing the 15th of July, 1947 at Santa Fe, New Mexico, as the time and place for hearing upon said application and petition; and

The matter having come on for hearing and the Commission having heard testimony as to the need and necessity for the extension of said permit in the manufacture of Channel Carbon Black; and

It appearing therefrom that Channel Carbon Black is still an essential commodity in the manufacture of tire casings and other rubber goods and products and that the demand for Channel Carbon Black is in excess of the supply thereof; and

It further appearing to the Commission that there are at this time ample available supplies of gas and residue gas for meeting all commercial and domestic sales and for use in present repressuring projects, and that there is at this time residue gas being flared, which constitutes surface waste under section 2 of the oil and gas conservation laws of New Mexico; and

It further appearing to the Commission that the use of such waste and residue gas in the manufacture of Channel Carbon Black will result

in the conservation of such waste and residue gas now being flared.

IT IS THEREFORE ORDERED:

That the permit previously granted by the Commission to the Panhandle Carbon Company, Inc., under date of November 27, 1944, be and the same hereby is amended and extended for a period and term of ten (10) years from the date hereof for the use in the manufacture of Channel Carbon Black, any and all available waste residue gas from the Phillips Petroleum Gasoline Extraction Plant located in the "Eunice" field, Lea County, New Mexico, and from such other sources as may from time to time become available and be acquired by the Panhandle Carbon Company, Inc., provided, however, the Commission may from time to time determine the higher economic use of such waste residue gas for domestic sales or use in repressuring projects and for these purposes, jurisdiction of this case is hereby retained by the Commission during the period and term of this extension.

DONE at Santa Fe, New Mexico, on this 30th day of July, 1947.

OIL CONSERVATION COMMISSION

S/ THOMAS J. MABRY, CHAIRMAN

S/ JOHN E. MILES, MEMBER

S/ R. R. SPURRIER, SECRETARY

SEAL

STATE OF NEW MEXICO
OFFICE OF STATE GEOLOGIST
SANTA FE, NEW MEXICO

June 26, 1947

Hobbs Daily News-Sun
Hobbs, New Mexico

RE: Cases No. 104 and 105 - Notice For
Publication.

Gentlemen:

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 necessary blanks are en-
closed.

Very truly yours,

GEORGE A. GRAHAM
Attorney,
Oil Conservation Commission

CAG:bsp

C

O

P

Y

STATE OF NEW MEXICO
OFFICE OF STATE GEOLOGIST
SANTA FE, NEW MEXICO

June 25, 1947

Mr. E. R. Wright
Attorney At Law
Santa Fe, New Mexico

RE: Case 105 - Panhandle Carbon Company
Petition.

Dear Mr. Wright:

This is to say that Case 105 before the Oil Conservation Commission of New Mexico in which the Panhandle Carbon Company is petitioner has been set for 10:00 o'clock A.M. on July 15, 1947, at the Coronado Room, La Fonda Hotel, Santa Fe, New Mexico.

Very truly yours,

GEORGE A. GRAHAM
Attorney,
Oil Conservation Commission

GAG:bsp

cc: H. B. Seligman
Panhandle Carbon Co.

C

O

P

Y

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. 105

ORDER NO. 724

THE PETITION OF THE PANHANDLE CARBON
COMPANY, INC. FOR AN EXTENSION OF THE
PERMIT HERETOFORE GRANTED UNDER DATE
OF NOVEMBER 27, 1944 FOR THE USE OF
WASTE RESIDUE GAS.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This matter coming on for hearing upon the petition and application of PANHANDLE CARBON COMPANY, INC., for an extension of the permit heretofore granted to it to use certain residue gas from the Phillips Petroleum Company, Gasoline Extraction Plant in the "Eunice" field, Lea County, New Mexico to the amount of approximately thirty million cubic feet per day for use in the manufacture of channel carbon black, and

Due notice of hearing upon said application having been published as provided by law fixing the 15th of July, 1947 at Santa Fe, New Mexico, as the time and place for hearing upon said application and petition; and

The matter having come on for hearing and the Commission having heard testimony as to the need and necessity for the extension of said permit in the manufacture of Channel Carbon Black; and

It appearing therefrom that Channel Carbon Black is still an essential commodity in the manufacture of tire casings and other rubber goods and products and that the demand for Channel Carbon Black is in excess of the supply thereof; and

It further appearing to the Commission that there are at this time ample available supplies of gas and residue gas for meeting all commercial and domestic sales and for use in present repressuring projects, and that there is at this time residue gas being flared, which constitutes surface waste under Section 2 of the oil and gas conservation laws of New Mexico; and

It further appearing to the Commission that the use of such waste and residue gas in the manufacture of Channel Carbon Black will result in the conservation of such waste and residue gas now being flared.

IT IS THEREFORE ORDERED:

That the permit previously granted by the Commission to the Panhandle Carbon Company, Inc., under date of November 27, 1944, be and the same hereby is amended and extended for a period and term of ten (10) years from the date hereof for the use in the manufacture of Channel Carbon Black, any and all available waste residue gas from the Phillips Petroleum Gasoline Extraction Plant located in the "Eunice" field, Lea County, New Mexico, and from such other sources as may from time to time become available and be acquired by the Panhandle Carbon Company, Inc., provided, however, the Commission may from time to time determine the higher economic use of such waste residue gas for domestic sales or use in repressuring projects and for these purposes, jurisdiction of this case is hereby retained by the Commission during the period and term of this extension.

DONE at Santa Fe, New Mexico, on this 30 day of July
1947.

OIL CONSERVATION COMMISSION

Wm. H. Keating
CHAIRMAN

John E. Miller
MEMBER

R. L. Spurr
SECRETARY

NOTICE FOR PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

The Oil Conservation Commission of New Mexico pursuant to law, hereby gives notice of the following hearings to be held July 15, 1947, beginning at 10:00 A.M., on said day at Santa Fe, New Mexico:

Case 104

In the matter of the application of Walter Famariss Jr., for permission to purchase and process tank bottoms, Pit Oil, Gasoline Plant "Catchings", and other Oil or Waste not otherwise Merchantable, and to sell the merchantable crude derived therefrom.

Case 105

In the matter of the application of the Panhandle Carbon Company, Inc., for an extension for ten years of its permit heretofore granted November 27, 1944 respecting use of residue and/or flare gas in the manufacture of carbon black.

Given under the seal of the Oil Conservation Commission of New Mexico, at Santa Fe, New Mexico on June 27 1947.

OIL CONSERVATION COMMISSION

BY:

R.R. Spurrer

R. R. SPURRIER, Secretary

NOTICE OF PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

The Oil Conservation Commission of New Mexico pursuant to law, hereby gives notice of the following hearings to be held July 15, 1947, beginning at 10:00 A.M., on said day at Santa Fe, New Mexico:

Case 100

In the matter of the petition of American Employers Insurance Company for an order directed to Charles R. Tarkenton, address unknown, W. R. Childers, Hobbs, New Mexico and Gene R. Burke, Hobbs, New Mexico to show cause why a well located in Chaves County, New Mexico in the SE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 33, Township 11 South, Range 25 East, N.M.P.M., should not be declared abandoned and ordered plugged.

Case 101

In the matter of the petition of American Employers Insurance Company for an order directed to Frank Griggs, Lubbock, Texas, John Earden, Lubbock, Texas and John H. Hawkins, Fort Sumner, New Mexico to show cause why a well located in DeBaca County, New Mexico, in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 11, Township 4 North, Range 26 East, should not be declared abandoned and ordered plugged.

Case 102

In the matter of the petition of American Employers Insurance Company for an order directed to San Juan Oil & Gas Co., Inc., 922 North Second Street, Phoenix, Arizona, G. W. Cassidy, 922 North Second Street, Phoenix, Arizona, Arthur Wilson, Phoenix, Arizona, L. E. Snavely, 900 East Van Buren, Phoenix, Arizona, A. H. Vaughn, 2314 Oak St., Phoenix, Arizona, J. A. DeWar, 2138 East Yale Street, Phoenix, Arizona, to show cause why a well located in San Juan County, New Mexico, in the SE $\frac{1}{4}$ SW $\frac{1}{4}$, Section 19, Township 29 North, Range 11 West, should not be declared abandoned and ordered plugged.

Case 103

In the matter of the petition of the Leonard Oil Company, a New Mexico corporation, Roswell, New Mexico for authority to deepen Leonard Oil Company's State Well No. 8, located in Esrey County, New Mexico, 1177 feet north of the south line and 1230 feet west of the east line of Section 21, Township 17 south, Range 29 east to the oil producing horizon of that locality.

Case 104

In the matter of the application of Walter Jacobus Jr., for permission to purchase and process tank bottoms, the oil, Caroline plant "Catchingins", and other oil or waste not otherwise merchantable, and to sell the merchantable crude derived therefrom.

Case 105

In the matter of the application of the Landville Lannon Company, Inc., for an extension for ten years of its permit heretofore granted November 27, 1944 respecting use of residue and/or flare gas in the manufacture of carbon black.

Case 106

In the matter of application of the Oil Conservation Commission of New Mexico, upon its own motion for an order, as recommended by the New Mexico Nomenclature Committee, supplementing Supplemental Order No. 6 to Order No. 633, and relating to overlap in defining boundaries of Loco Hills and Grayburg-Jackson pools, Eddy County, New Mexico.

Case 107

In the matter of the application of Barney Cockburn, for an unorthodox well location in Eddy County, in the NE $\frac{1}{4}$ SW $\frac{1}{4}$, Section 29, Township 17 South, Range 33 East, N.M.P.M., on State Lease B-2516 in connection with an application for unit operation.

Case 108

In the matter of the application of Southern Union Gas Company for approval of the Hope Unit Agreement, Eddy County, New Mexico, embracing the following lands:

Sections 17,18,19,20,29,30,31,32 and the S $\frac{1}{2}$ and NW $\frac{1}{4}$ of Section 33, in township 18 South, Range 24 East, N.M.P.M.; Sections 4,5 and 6, in township 19 South, Range 23 East, N.M.P.M.; Sections 13,14,15,22, 23,24,25,26,27,34,35 and 36 in township 18 South, Range 23 East, N.M.P.M.; Sections 1,2, and 3 in Township 19 South, Range 23 East, N.M.P.M., containing 17,120 acres, more or less.

Given under the seal of the Oil Conservation Commission of New Mexico, at Santa Fe, New Mexico on June 27 1947.

OIL CONSERVATION COMMISSION

BY:

R. R. Spurrier

R. R. SPURRIER, Secretary

LAW OFFICES
E. R. WRIGHT
SANTA FE
NEW MEXICO
TELEPHONE 740

June 20, 1947

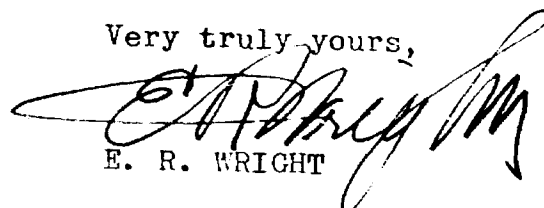
Mr. George Graham
New Mexico State Land Office
Santa Fe, New Mexico

105

Dear Sir:

I hand you herewith three signed copies of petition
of the Panhandle Carbon Company for extension of their per-
mit to use flare gas in the making of Channel Carbon Black.

Very truly yours,



E. R. WRIGHT

ERW/dl

3 Inclosures

PANHANDLE CARBON COMPANY, INC., a corporation duly organized and existing under the laws of the State of Delaware (said corporation being hereinafter referred to as Panhandle) hereby makes application to use residue gas and/or flare gas in the manufacture of carbon black and, in support of such application, respectfully states to the Oil Conservation Commission of the State of New Mexico:

1. Panhandle is in the business of manufacturing carbon black and has an office at 1003 Fisk Building, Amarillo, Texas (formerly 295 Madison Avenue, New York, New York). Panhandle has a permit to do business in the State of New Mexico. Panhandle's statutory registered office in New Mexico is located at 50 Senna Plaza in the city of Santa Fe.

2. The plant now being operated by Panhandle Carbon Company in the E/2 of Section 3, Township 21, SR 37 E, NMPM, Lea County, New Mexico, near Eunice, was constructed during the war by Panhandle for the government of the United States and Panhandle is presently operating such plant under lease agreement with the Reconstruction Finance Corporation. This plant has now been declared surplus property and the War Assets Administration, on behalf of the United States Government, is planning shortly to dispose of this plant either by lease or by sale. The original cost to the government, including a desulphurization plant, is in excess of \$2,000,000.

3. Under date of November 27, 1944, the Oil Conservation Commission of the State of New Mexico granted Panhandle a permit to use residue gas in the amount of approximately 30,000,000 cubic feet per day for the manufacture of channel carbon black. The gas, so-called waste residue gas, was previously blown into the air from the Phillips Petroleum Company gasoline extraction plant located in the "Eunice Field", Lea County, New Mexico. The permit was for the duration of the war and six months thereafter.

4. A question has arisen as to when this permit expires. Some public officials and departments consider that the war terminated on December 31, 1946, with the President's proclamation of the cessation of hostilities which would then make the expiration date of the present permit June 30, 1947. Other departments and government officials are of the opinion that the expression "Duration" should await a more formal declaration or statement from the President of the United States that the war has terminated.

Since there is no unanimity of opinion as to this question, Panhandle deems it necessary to make this application for an extension of its presently existing permit.

5. At the present time, Panhandle Carbon Company has a contract with Phillips Petroleum Company for the required volume of residue and/or flare gas to operate this plant until 1950. In addition, it is contemplated, should Panhandle be the successful bidder for either sale or lease of this plant, that additional supplies of residue and/or flare gas can be obtained to enable operation of the plant for a long period of time beyond the expiration of the contract which Panhandle now has with Phillips Petroleum Company.

6. Channel carbon black during the war was considered a critical material. So essential was channel carbon black for use in automobile tires and other rubber articles wherever durability and resistance to abrasion were necessary factors that the U. S. government spent \$24,000,000 in the construction of new channel black plants and their accessory facilities in order to increase the supply thereof. Since the end of the war the demand for channel black has increased much beyond its pre-war volume. In the year 1946, the following are the production and shipments of channel carbon black for the entire United States:

Production: 619,000,000 lbs.

Shipments: 669,000,000 lbs.

Excess of shipments over production: 50,000,000 lbs.

To date, this situation is still critical, and, as of May 31, 1947, stocks of channel carbon black held by all producers amounted to only 9,000,000 lbs, the lowest inventory position in the history of the industry. With the availability of natural crude rubber to the tire manufacturing industry in lieu of synthetic rubber, the channel type of carbon black will continue to be an essential basic ingredient since channel carbon black when incorporated into tires gives the rubber the resistance to abrasion and reinforcing qualities necessary for long mileage.

In addition, carbon black is an essential ingredient in the manufacture of numerous commodities such as inks, mechanical rubber products, paints, carbon papers, phonograph records, cement coloring and many other things where color is an important factor.

7. As previously mentioned the cost of the plant facilities to the government was in excess of \$2,000,000. In relationship to the value of the products manufactured, the investment in a channel plant is very substantial and, in order to properly amortize the investment in such facilities, there must be a reasonably adequate period of time in which depreciation of the plant may be absorbed in the operations. It is suggested that an appropriate period of the extension of the permit should be at least of ten years.

8. Panhandle Carbon Company in the manufacture of carbon black within the state of New Mexico and utilization of the waste gas from which the carbon black is manufactured will pay into the State of New Mexico additional taxes, will employ labor for the operation of said plant within New Mexico, and will convert an otherwise waste product into a commercially valuable material.

WHEREFORE, Panhandle Carbon Company, Inc., respectfully submits that the proposed manufacture of carbon black from residue and/or flare gas will result in a beneficial use of said gas for purposes as enumerated above. Accordingly, Panhandle

respectfully petitions the Commission to extend the permit granted November 27, 1944, for a minimum period of ten years.

DATED this 19th day of June, A. D. 1947.

PANHANDLE CARBON COMPANY, INC.

BY

H. B. Seligman
assistant secretary.

State of Texas (1)

County of Potter (1)

H. B. SELIGMAN, being duly sworn, deposes and says:

That he is Assistant Secretary of Panhandle Carbon Company, Inc., the petitioner in the above entitled matter; that he has read the foregoing petition and knows the contents thereof; that the facts stated therein are true to his own knowledge.

H. B. Seligman

SWORN TO before me this 19th day of June, A.D. 1947.

R. M. Williams
Notary Public in and for Potter County,
Texas