Case No.

168

Application, Transcript,
Small Exhibits, Etc.

[illegible] 21 [illegible]
[illegible] London, Anne Arundel County.

December 28, 1948

REGISTERED AND R.R.R.

Clary and Ruther
818 South Melendres
Las Cruces, New Mexico

RE: Case No. 168 continued

Gentlemen:

Case No. 168 was continued to January 6, 1949 when you were not present for the hearing held December 7. The Case will be heard at 10:00 o'clock a.m. on January 6 in the Senate Chambers.

We ask that you be present; otherwise your application will not be approved and your operations may be concluded indefinitely.

Very truly yours,

OIL CONSERVATION COMMISSION

bpw

Secretary and Director

cc: Justin Newman

December 17, 1948

Clary and Ruther
818 South Melendres
Las Cruces, New Mexico

RE: Case No. 168

Gentlemen:

The above captioned case, which was continued from Hearing December 7, 1948, will be heard January 6, 1949, 10:00 o'clock a.m., in the Senate Chambers.

We ask that y[illegible] or your representative be present.

Very truly yours,

bpw

GEORGE A. GRAHAM, Attorney

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

JOSEPH L. EGAN
PRESIDENT

1201

(59) EB

SYMBOLS

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

The 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

DVA104 PD=LASCRUCES NMEX 7 1001A=

R R SPURRIER, CHIEF GEOLOGIST=

OIL AND GAS CONSERVATION COMMISSION

UNABLE TO ATTEND HEARING SET FOR TODAY ON MY UNORTHODOX LOCATION DONA ANA COUNTY NEW MEXICO DUE TO SERIOUS ILLNESS OF MY WIFE= PLEASE RESET SAME AND NOTIFY ME=

W L CLARY=

Case 168

RESET=

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

CLARY & RUTHER
Box I27, Las Cruces, N.M.
October 27th I948.

9

State Oil & Gas Con Commission
Santa Fe, New Mexiwo.

Gentlemen:-

Please find enclosed our application and bond for a permit to drill an oil and or/gas well in the NW¼ of the NW¼ section 36 Township 23 South Range 2 East, Dona Anna County, New Mexico.

We are all set up and ready to go, we will co-operate with this commission in every way possible and you may be assured that at any timeyou wish information regarding the well we will gladly furnish same to you or your represenatives. we remain,

Very truly yours,
Clary & Ruther
By W L Clary

NOTICE OF PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

The State of New Mexico by its Oil Conservation Commission hereby gives notice, pursuant to law, of the following public hearing to be held December 7, 1948, beginning at 10:00 o'clock A.M. on that day in the city of Santa Fe, New Mexico, in Senate Chambers.

STATE OF NEW MEXICO TO:

All named parties in the following cases, and notice to the public:

CASE 166

In the matter of the application of Tide Water Associated Oil Company for an order granting permission for an unorthodox location designated as well Mariano Dome #1, described as NWSWSE 118 feet east of the centerline and 1249 feet north of the south line of Section 8, Township 15 North, Range 13 West N.M.P.M. McKinley County, New Mexico.

CASE 167

In the matter of the application of Amerada Petroleum Corporation for an order granting permission to dually complete their "State LMT Well #1", Langlie-Mattix pool SWNW Section 36, Township 23 South, Range 36 East, N.M.P.M., Lea County New Mexico.

CASE 168

In the matter of the application of Clary and Ruther for an order granting permission for an unorthodox location designated as Clary and Ruther State No. 1, described as NWNWNW, 106.3 feet from the north and 43.9 feet from the west lines of Section 36, Township 23 South, Range 2 East, N.M.P.M., Dona Ana County, New Mexico.

Given under the seal of the Oil Conservation Commission of New Mexico at Santa Fe, New Mexico on November 17, 1948.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

/s/ By: R. R. Spurrier, Secretary

SEAL

LEA COUNTY OPERATORS COMMITTEE
HOBBS, NEW MEXICO
NOVEMBER 24, 1948

November 14, 1948

Chary and Ruther No. 1 State
Dona Ana County
Sec.36, T23S., R2E, N.M.P.M.

Chary and Ruther
618 S. Melendres Street
Las Cruces, New Mexico

Gentlemen:

We are returning your form C-101, "Notice of Intention to Drill", on your No. 1 State which is located in Sec. 36, T23S., R2E, N.M.P.M.

This form is being returned because the location is not orthodox.

In a verbal agreement, which we agreed on in writing (see my letter of November 3, 1948), you agreed to furnish this office with all the forms necessary to keep us advised of your operations. For one thing you agreed to send us a form C-103, "Report on Beginning Drilling Operations". To date we have not received this form.

Yours very truly,

OIL CONSERVATION COMMISSION

By _____
Justin Newman
Artesia Representative

JN:ejm

November 14, 1948

Clary and Ruther No. 1 State
Doña Ana County
Sec. 36, T23S., R2E, N.M.P.M.

Clary and Ruther
818 S. Melendres Street
Las Cruces, New Mexico, and to whoever it may concern

Gentlemen:

In regard to the Clary and Ruther No. 1 State, which is noted in the above caption, there shall be no further drilling operations conducted in connection with this well until you have an approved form C-101, "Notice of Intention to Drill", approved and signed by an authorized agent of the Oil Conservation Commission.

You are reminded that Section 22, Chapter 72, of the laws of 1935, provides a large fine and injunctive remedy for whomsoever procedes with operation without being properly authorized by the Oil Conservation Commission.

Yours very truly,

OIL CONSERVATION COMMISSION

By _____
Justin Newman
Artesia Representive

Will obtain witness for original copy

JN:ejn

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

October 29, 1948

C O P Y

Clary and Ruther
Box 127
Las Cruces, New Mexico

Dear Sirs:

Your One Well Bond and form C-101 have been received here today. We cannot approve either your bond or your C-101 since your proposed location does not comply with the State spacing regulations. Your well must be at least 330 ft. from any boundary line. For a legal location your well must be at least 330 ft. south of the north line and 330 ft. east of the west line of Section 36.

In order to drill the location you have indicated it would be necessary for you to petition the Oil Conservation Commission for a hearing and special ruling granting permission for this unorthodox location. We allow from 50 to 100 ft. variation for topography, but your location is too far off.

Please correct your bond and C-101 and be sure that the location is the same on each. We will grant permission to commence drilling as soon as we receive these in proper order.

Very truly yours,

Frank C. Barnes, Geologist.

cc: Justin Newman

FCB:mmm

October 29, 1948

Mr. Justin Newman
Oil Conservation Commission
Artesia, New Mexico

Dear Justin:

We just received a bond and C-101 on a well to be located in section 36, T.23 S, R.2 E, Dona Anna County. Since this will undoubtedly turn out to be your headache, I am putting you on the inside tract before things develope too far.

I have returned the C-101, as per enclosed letter, because the location is irregular. The location given on the C-101 was 105 feet south of the north line and 40 feet east of the west line of section 36. The operators are Clary and Ruthers, Box 127, Las Cruces. The well will be drilled on state lease E-1593.

As soon as the location is straightened out, we shall probably dump the whole thing in your lap. - You lucky fellow. If you should be over that way, check up and see if they have already moved in or started to drill. If so, shut them down.

Sincerely,

FRANK C. BARNES

NEW MEXICO
OIL CONSERVATION COMMISSION

GOVERNOR THOMAS J. MABRY
CHAIRMAN
LAND COMMISSIONER JOHN E. MILES
MEMBER
STATE GEOLOGIST R. R. SPURRIER
SECRETARY AND DIRECTOR

P. O. BOX 871
Santa Fe, New Mexico

[illegible] December 1948

[illegible] Inc. Oil Co.
[illegible], New Mexico

Re: [illegible] - Notice of 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, FILE THE PUBLISHER'S AFFIDAVIT IN DUPLICATE.

For payment please submit statement in duplicate, accompanied by voucher executed in duplicate. The necessary blanks are enclosed.

Very truly yours,

_____

RRS:bsp

No [illegible] enclosed

PROOF OF PUBLICATION

Orville E. Priestley, being duly sworn, deposes and says that he is the publisher of the Las Cruces Sun-News, a newspaper published daily except Saturday in the County of Dona Ana, State of New Mexico; that the notice

Case #168 - application of Clary and Ruther for an order granting permission for an unorthodox location

as per clipping attached, was published once a week in the regular and entire issue of said newspaper and not in any supplement thereof, for one issue ~~consecutive~~ weeks; that the first publication was in the issue dated November 21st, 1948, and the last publication was in the issue dated -, 194.....

Deponent further states that this newspaper is duly qualified to publish legal notices or advertisements within the meaning of Sec. 3, Chapter 167, Laws of 1937. And payment of fees for said publication has been made.

(Signed) Orville E. Priestley

Publisher
(Official Position)

STATE OF NEW MEXICO
COUNTY OF DONA ANA } ss.

Subscribed and sworn to before me this 22nd day of November, 1948.

George E. Buchelon
Notary Public in and for
Dona Ana County, N. M.

My commission expires August 9, 1948.

Legal Notice

NOTICE OF PUBLICATION
State of New Mexico
Oil Conservation Commission

The State of New Mexico by its Oil Conservation Commission hereby gives notice, pursuant to law, of the following public hearing to be held December 7, 1948, beginning at 10:00 o'clock a. m. on that day in the City of Santa Fe, New Mexico, in Senate Chambers of Capitol Building.

STATE OF NEW MEXICO TO:
All named parties in the following cases, and notice to the public:

CASE NO. 168

In the matter of the application of Clary and Ruther for an order granting permission for an unorthodox location designated as Clary and Ruther State No. 1, described as NWNWNW, 106.3 feet from the north and 419 from the west lines of Section 36, Township 23 South, Range 2 East, N.M.P.M., Dona Ana County, New Mexico.

Given under the seal of the Oil Conservation Commission of New Mexico at Santa Fe, New Mexico on November 17, 1948.

STATE OF NEW MEXICO
OIL CONSERVATION
COMMISSION,
By R. F. Spurrier, Secretary.

Nov. 21, 1948.

5 Stew Warn	13½	13¼	13½
3 Stone & Web	13¾	13⅝	13¾
2 Studebaker Corp	21⅝	21½	21½

Oil and Gas Leases For Sale

In Dona Ana County, N. M.
5 Miles East of Las Cruces

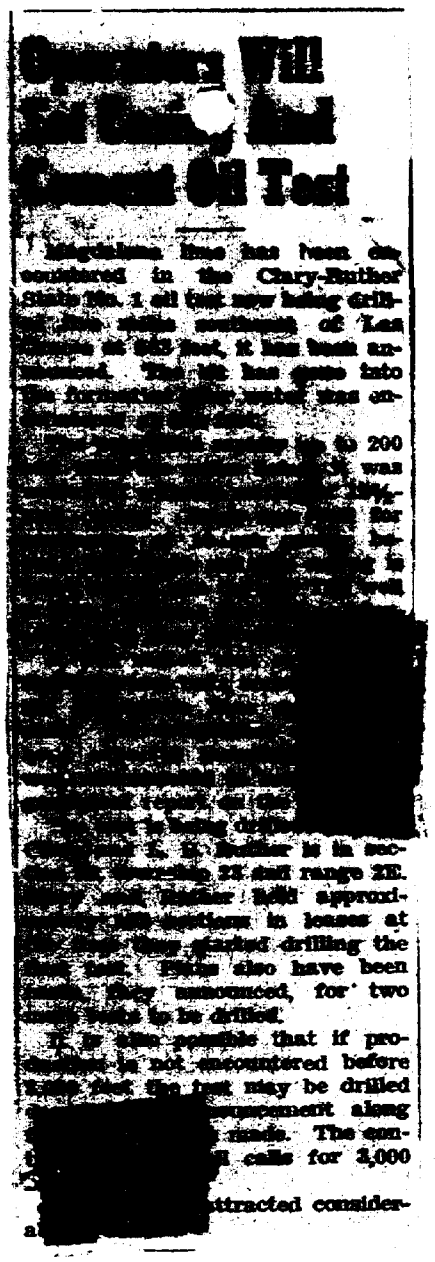
No. 1 well now being drilled on defined structure worked out by competent and nationally known geologist. Well now drilling past 400 feet to test Magdalena, Mississippian, Devonian, Silurian and Ordivician formations.

We own and control 186 sections and will drill to 3000 feet or production secured at lower depth.

We offer a limited number of acreage tracts for sale at moderate prices NOW. Subject to change without notice. Wire, write or call — W. L. Clary, Box 127 or phone 1024, Las Cruces, N. M.

CLARY & RUTHER, Oil Properties

We are drilling this well.



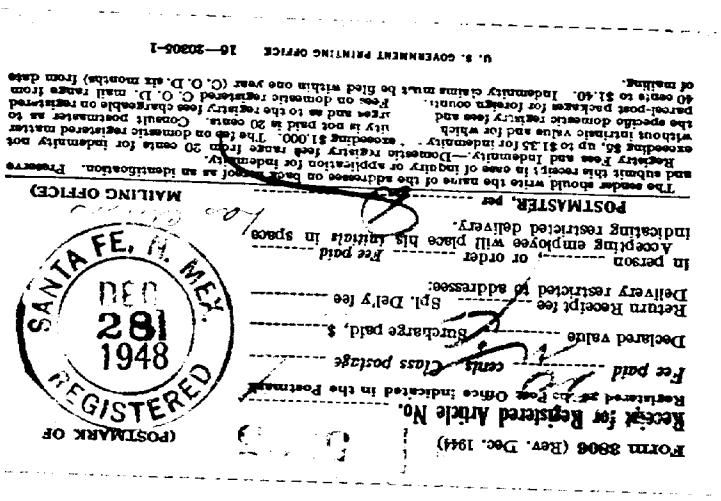
[redacted] Will
[redacted] Test
[redacted] Oil Test

[redacted] has been discovered in the Clary-Ruther State No. 1 oil test now being drilled [redacted] of Las [redacted] at [redacted] feet, it has been announced. The oil has come into [redacted] 200 [redacted] was [redacted]

[redacted] Ruther is in sec- [redacted] 22 and range 22E. [redacted] Ruther built approxi- [redacted] sections in lease at [redacted] started drilling the [redacted] also have been [redacted] announced, for two [redacted] to be drilled.

[redacted] possible that if pro- [redacted] not encountered before [redacted] may be drilled [redacted] along [redacted] made. The con- [redacted] calls for 2,000 [redacted] attracted consider-

Case No. 168 - Clary and Ruther - continued from December 7, 1948 - also included in attached transcript.



Form 3806 (Rev. Dec. 1944)

Receipt for Registered Article No.

Registered at the Post Office indicated in the Postmaster

Fee paid ---------- cents Class postage

Declared value ---------- Surcharge paid, $

Return Receipt fee ---------- Spl. Dely fee

Delivery restricted to addressee:

In person ---------, or order ---------- Fee paid

Acceptance employee will place his initials in space indicating restricted delivery.

POSTMASTER, per

MAILING OFFICE)

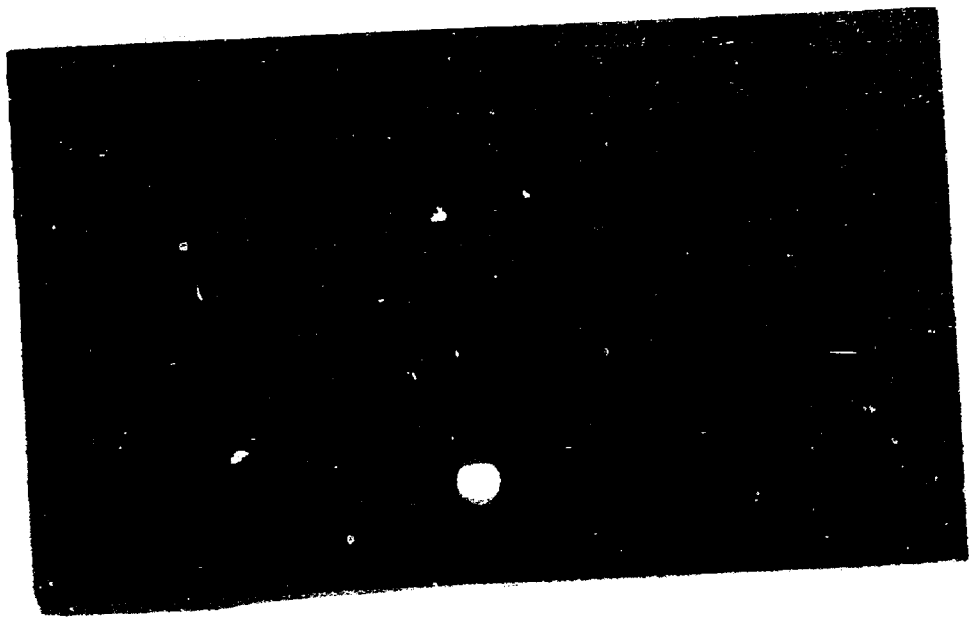
The sender should write the name of the addressee on back hereof as an identification. Preserve and submit this receipt in case of inquiry or application for indemnity.

Registry Fees and Indemnity.—Domestic Registry fees range from 20 cents for indemnity not exceeding $5, up to $1.35 for indemnity exceeding $1,000. The fee on domestic registered matter without intrinsic value and for which the specific domestic registry fee and parcel-post postage for foreign countries is not paid is 20 cents. Consult postmaster as to 40 cents to $1.40. Indemnity claims must be filed within one year (C. O. D. six months) from date of mailing. Fees on domestic registered C. O. D. mail range from [illegible] and as to the registry fees chargeable on registered

SANTA FE, N. MEX.
DEC 28 1948
REGISTERED

(POSTMARK OF

U. S. GOVERNMENT PRINTING OFFICE 16—32202-1



[illegible]

[illegible]

The following proceedings [illegible] Oil Conservation Commission, State of New Mexico, [illegible] pursuant to legal notice of publication, and at the time and place set out below.

[illegible]
[illegible]
[illegible] COMMISSION

The State of New Mexico by its Oil Conservation Commission hereby gives notice, pursuant to law, of the following public hearing to be held January 6, 1949, beginning at 10:00 o'clock a.m. on that day in the City of Santa Fe, New Mexico, in the Senate Chambers.

[illegible]:

All named parties in the following cases, and notice to the public:

Case 169

In the matter of the application of Continental Carbon Company for order permitting it to use residue, flare, and gas well gas in the manufacture of carbon black at its proposed site in Lot 15, section 3, T. 21 S, R. 37 E, N.M.P.M. Lea County, New Mexico, adjacent to existing carbon black plant.

Case 170

In the matter of the application of the New Mexico Oil Conservation Commission, upon its own motion, at the suggestion of the New Mexico Nomenclature Committee, to delete from the Cooper-Jal pool as presently described all of section 14 (containing 2 gas wells), T.23 S, R. 36 E, N.M.P.M. Lea County, New Mexico.

Case 171

In the matter of the application of the New Mexico Oil Conservation Commission, upon its own motion, at the suggestion of the New Mexico Nomenclature Committee, to delete from the Penrose-Skelly pool as presently described, N/2 section 6; all of section 7; all section 18; N/2 section 19, T. 23 S, R. 37 E, N.M.P.M. (containing several gas wells) in Lea County, New Mexico

Case 172

In the matter of the application of Floyd H. West for an order authorizing an unorthodox well location for his Patterson No. 1, to be located in SE¼NE¼ 2490 feet south of the north line and 1220 feet west of the east line of section 5, T. 30 N, R. 13 W, N.M.P.M. in San Juan County, New Mexico

Given under the seal of the Oil Conservation Commission of New Mexico, at Santa Fe, New Mexico, on December 16, 1948,

[illegible]
OIL CONSERVATION COMMISSION

By [illegible]
[illegible], Secretary

(SEAL)

Present: Hon. E. S. Spurrier, Secretary and Member and
Hon. Guy Shepard, Acting Chairman and Member

Also Present:

George Graham, Santa Fe, N. M., for the Oil Conservation Commission.

Don G. McCormick, Carlsbad, N. M., for the Oil Conservation Commission.

George H. Card, Ft. Worth, Texas, for Stanolind Oil & Gas Company

J. O. Seth, Santa Fe, N. M., for the Stanolind Oil & Gas Co.

J. B. Jenkins, Ft. Worth, Texas, for Stanolind Oil & Gas Co.

J. H. Nishnick, Continental Carbon Co., Amarillo, Texas

M. A. Minnig, Amarillo, Texas, for the Continental Carbon Co.

E. R. Wright, Santa Fe, N. M., for the Continental Carbon Co.,

C. E. McKinney, Amarillo, Texas, for the Continental Carbon Co.

George E. Kendrick, Jal, N. M., for El Paso Natural Gas Company

Roy C. Yarborough, Hobbs, N. M., for the Oil Conservation Commission

D. A. Powell, Hobbs, N. M., for Drilling & Exploration Company

Scott R. Brown, Midland, Texas, for Western Natural Gas Company

M. L. Patterson, Odessa, Texas, for Phillips Petroleum Co., Gasoline Department.

Roy Green, Bartlesville, Oklahoma, for Phillips Petroleum Co., Gasoline Department.

W. L. Phillips, Odessa, Texas, for Phillips Petroleum Co., Gasoline Department.

H. M. Sweeney, Hobbs, N. M., for Oil Conservation Commission

H. B. Seligman, Amarillo, Texas, Continental Carbon Company

J. M. Green, Eunice, N. M., for Skelly Oil Company

Foster Morrell, Roswell, N. M., for U. S. Geological Survey

J. N. Dunleavey, Hobbs, N. M., for Skelly Oil Company

Frank C. Barnes, Santa Fe, N. M., for Oil Conservation Commission.

Glenn Staley, Hobbs, N. M., for Zia Company Operators.

E. J. Gallagher, Hobbs, N. M., for Gulf Oil Corporation

Al Greer, Aztec, N. M., for Oil Conservation Commission

L. M. Patterson, Farmington, N. M., for West Drilling.

Floyd M. West, Farmington, N. M., for West Drilling.

M. M. Hoy, Farmington, N. M., Attorney for Floyd West

E. L. Shafer, Ft. Worth, Texas, Continental Oil Company

Homer Dailey, Hobbs, New Mexico, Continental Oil Co.
R. A. Lamb, Artesia, N. M., Wilson Oil Company
Fred B. Wilson, Ponca City, Oklahoma, Continental Oil Company
A. C. Brunner, Midland, Texas, Shell Oil Company, Inc.,
Paxton Howard, Midland, Texas, for Shell Oil Company, Inc.
Frank Lovering, Hobbs, New Mexico, for Shell Oil Company, Inc.

MR. SHERARD: Case No. 168, In The Matter of Hearing Called by the Oil Conservation Commission of the State of New Mexico, for the Purpose of Considering the application of Clary and Ruther for an Order Granting Permission for an unorthodox location designated as Clary & Ruther State No. 1, described as 106.3 feet from the North line and 43.9 feet from the West line of Sec. 36, T. 23 S, R. 2 East, N.M.P.M. in the NW/4NW/4 thereof in Dona Ana County, N. M., was advertised for hearing for December 7, 1946, but due to applicant not being able to appear the case was continued to this date.

Mr. Graham will you read the advertisement?

(Reads the notice of publication in case No. 168)

(Witness W. L. Clary is sworn)

MR. SHERARD: Will you state your case.

Mr. Clary: We employed a geologist down there and after geologizing our 74,000 -- the structure is an elongated structure and we had State section 32, land 36, which part of it shows to be on the structure and the biggest portion is off, so upon the recommendation of our geologist he made a location on Sec. 36. We built a road out there and it is a very rough terrain and we got over into it and went just as far as we possibly could into the quarter section without going into the canyon. Now, there is a canyon -- some type of plug that is used up there and this canyon runs from the edge of the lava around the north west quarter of 37, so we are right on a land, and in order to move our rig in any direction we would have had to spend something like $5000 or

or 6000. Therefore, we ask the Commission in view of the difficulties and expenses we would be put to in drilling and in moving the rig across the canyon further into the northwest quarter of the northwest quarter -- the expense would be so great as to be prohibitive.

MR. SPURRIER: How about your drilling bond?

A. I sent one up here by employees group -- about $5,000. I will say further that all the sections surrounding 36 are government leases and I have an option -- we have filed an application for those and have for about 7 or 8 months and we have urged the Federal Land Office to give us these sections as quickly as possible before we even moved on 36, but they won't grant them because they said they were short of help and therefore we only had one section on that corner. We are on the edge of the structure -- the eastern edge.

MR. SPURRIER: You feel that eventually you will have all of the surrounding acreage under lease?

A. Yes.

MR. SPURRIER: Had you acquainted yourselves with the Rules and Regulations of the Oil Commission?

A. Frankly, no. I plead guilty there. Mr. Newman came over and gave me a pamphlet and I commenced reading it immediately, and had I noticed that I would have gotten the permit prior to moving on. We went to a great lot of expense. We are only 602 feet deep and it has cost $3,200. There is quicksand and the formation is terrible, but we are through that and we can accomplish something. We are drilling today. We pulled our derrick in and pipe and we had to go clear across the country to Wisconsin to get another mast for this 36. It is a pretty hard proposition.

MR. SHEPARD: Does anybody else care to question the witness?

MR. MORRELL: In view of the fact that the well apparently offsets federal lands, according to your testimony, under the circumstances we would have no objection to this particular location since it is now in existance. As I understand it you have drilled 602 feet?

A. Yes.

Q. [illegible]: Do you, if production is obtained, would you request that the order be made to be in conformance with the rules and regulations of the Commission.

A. That we would comply with, of course after going over the terrain there would be a lot of unorthodox applications. These canyons are 20 to 30 to 50 feet deep. We should like to reserve the right to locate a well equa-distant as an offset in case production is obtained.

Witness excused and next case is called.

[illegible]: The next case is No. 169. Mr. [illegible] will you read the [illegible]?

(Reads notice of publication in Case No. 169)

JUDGE [illegible]: (For Continental Carbon Company) Will you have your witness sworn?

(Witness C. [illegible] McKinney, sworn)

DIRECT EXAMINATION BY JUDGE [illegible]:

Q. State your name.

A. C. [illegible] McKinney

Q. Are you connected with the Continental Carbon Company?

A. Yes, I am manager.

Q. Were you connected with the Panhandle Carbon Company at one time?

A. Yes.

Q. The Panhandle Carbon Company and Continental Company had plants in West Texas near Amarillo?

A. Yes.

Q. Has the Panhandle Carbon Company changed its corporate name?

A. Yes, Whitco Carbon Company.

Q. As a preliminary to this application, has the Panhandle Company, now the Whitco Company, an operating plant in New Mexico?

A. Yes.

Q. Where is it located?

A. Near Munice.

Q. Is the plant of the Panhandle Company located on Sec. 3, in T. 21, S. of Range 37 E., Lot 15?

A. That is correct.

Q. When was that built and how long in operation?

A. It was built in 1945.

Q. Did it obtain a permit from the Commission in 1944?

A. Yes.

Q. For the records, the original order of the Commission granting permit to use processed or residue gas from the Phillips processing plant was granted on November 27, 1944, and is it that permit under which this existing plant has been operating?

A. Yes.

Q. And it has been a unit that this foundation to operate for some ten years?

A. From 1947 I believe.

Q. From 1947 -- the date of the order dated July 15, 1947?

A. That is correct.

Q. Why is that application now being made by the Continental Carbon Company with which you are connected?

A. Well, there still exists a need for channel carbon black and we have a plant now at Sunray, Texas. This will not increase the amount of carbon black. It is a move of decentralization. Continental Carbon Company purchased from the War Assets six units that we operated during the war. We have a temporary gas contract there now and we propose to move a part of it to New Mexico.

Q. Where would it be located with reference to the existing plant owned by the Witco Company ?

A. On the present plant site of the Witco Carbon Company.

Q. All in Lot 15 of Sec. 3?

A. That is correct.

Q. Is it planned to operate the Witco plant and the Continental plant as one operating unit -- for the purpose of supervision, etc?

A. That is correct.

Q. The present Witco plant obtains its residue or processed gas where?

A. Phillips Petroleum Company.

Q. The new plant, the Continental plant, if,when and as it is moved to the new location, will obtain its residue and processed gas from what source?

A. From Shelly Oil Company.

Q. What is the capacity of the Witco Company plant?

A. 30 million cubic feet per day of gas -- of residue or processed gas.

Q. What will be the capacity of the additional plant which you are planning to move?

A. 18 million cubic feet.

Q. And where do you plan to get that? From what company?

A. From the Skelly Oil Company.

Q. How far from the new location of the Continental plant is the Skelly plant?

A. Approximately five miles.

Q. Will it require a new pipe line?

A. That is correct.

Q. The application -- the petition -- requests authority to use residue and processed gas obtained from the Skelly Company under contract instead of 18 million cubic feet a day, in addition it asks as a standby source of supply the right to use gas well gas. Will you explain to the Commission the term "gas well gas"?

A. Gas well gas is gas direct from the sands and we propose to use it on a standby basis only. All operators of oil know that at the end of the month there is a lapse of time when there is not sufficient gas to operate the plant in full and this is very unsatisfactory from an operating standpoint due to the fact that there is liable to be an explosion within the plant. The gas goes off and then it instantly comes back on and is liable to cause an explosion within the buildings and cause damage and probably injury to employees. Also, it makes an inferior grade of carbon black and you have trouble with your customers. It doesn't process properly in rubber plants. That is the chief reason for this standby gas.

Q. Are there available any gas wells either operating or shut in at the present time in the neighborhood of the Whitco plant and the new Continental plant?

A. There is one at the northeast corner of our present plant site. I believe it is a Shell Oil Company plant.

Q. What type of well is that?

A. Well, it is a dry gas well.

Q. Will you state a little bit more in detail the reasons -- the reasons why you desire this standby gas supply. What would it mean in terms of quantity of gas which you might be called upon to use in gas wells?

A. Well, that would depend on how the producers produced the oil at the end of the month. If Skelly could produce the oil constantly and over a 30-day period at an even supply to us, then we wouldn't require any standby well gas, and if we could get a constant flow of residue gas then there would be no requirement for this standby gas well gas.

Q. I think that everyone here understands what is meant by residue gas or flare gas. Where it is not processed what becomes of that type of gas?

A. It is flared into the air.

Q. Entirely wasted?

A. Yes.

Q. What is the average cost per thousand cubic feet of that type of gas which you use through your plant?

A. It is a little in excess of 4 cents per thousand cubic feet.

Q. How does that compare with the market for gas well gas -- dry gas which goes directly into the pipe lines?

A. I think it is comparable to the gas well gas now being conveyed into the pipe lines in that area.

Q. Now, Mr. McKinney, will you give the Commission very briefly a picture as to the channel carbon black which you plan to make in this new plant as you are now making in the existing plant. What is the picture as to the use of this channel black?

A. Well, it is used in the manufacture of tires and mechanical rubber goods. Approximately 90 percent of the total production of channel black is used in the production of tires, I would say.

Q. What is the difference between channel black and carbon black?

A. They are the same thing -- just a different type of carbon black.

Q. What is the difference between furnace carbon black and channel black.

A. Furnace black is used chiefly for a filler in the carcass of the tire, whereas channel black is used in the tread. It gives longer life to the tire.

Q. What is the market condition of channel carbon black at the present time?

A. Well, on channel black there isn't sufficient amount on hand for a working inventory. I think there is around 18 million pounds in the entire industry.

Q. Have you checked the inventory figure so you can give the Commission some rough estimate?

A. At the end of November the industry had exactly 19 hundred million, 44 thousand pounds, including color black and all types of channel black, rubber and color blacks. That is the total inventory on hand as of November 30, 1948.

Q. How long would that last the industry?

A. Well, for the month of November the sales were 54 million, 659 thousand pounds, so that is roughly a ten days' supply for the industry.

Q. Now, this moving of your plant from Sunray, Texas to New Mexico -- that would not increase the output of channel black at the present time?

A. No, sir, it would not.

Q. And the reason for moving the plant is primarily to disperse the production -- to decentralize the production?

A. Yes.

Q. How long is it going to take to move this plant and get in operation?

A. Approximately five months if and when the permission is granted.

Q. Is it a fact that the Shelly people are constructing an additional processing plant?

A. Yes, that is correct.

Q. And is it true that the new Skelly plant has to be in operation about the 1st, that?

A. Yes, sir.

MR. [illegible]: I think that is generally the situation.

MR. [illegible]: I would like to inquire about the price. What would they pay Skelly for it?

A. They will pay five cents on 14.05 pressure.

Q. And how much for the gas well gas. Do you have any contract?

A. No, sir.

Q. How about flare gas. I notice that in the petition. Is that used in distinction to residue gas?

A. It will be one and the same thing -- flare gas and residue gas will be one and the same thing.

Q. You intend to take 10 million feet per day from Skelly?

A. Yes, that is all we will need. That is the capacity of the proposed plant.

Q. Is there just one gas well available there for standby?

A. Well, there is some that could be used -- about three miles away so that could be used in an emergency for this standby gas.

Q. How much do you anticipate you might have to take from the gas well?

A. I just can't say. It all depends on how the producers operate their oil wells through the month. At the end of the month when they begin to catch up the gas tapers up and lowers, but to what extent I can't say.

Q. What is the size of this gas well that is near the plant?

A. I believe it is around 16 million feet -- potential. Of course, that wasn't the only one in mind because that is purely standby service.

Q. Have you made any contracts for standby gas asset?

A. No sir. It is a matter of protection for us but to have it for an emergency.

[illegible]

[illegible] tons.

[illegible]

[illegible]

[illegible]

[illegible]

A. [illegible] Shelly.

Q. [illegible] pools [illegible] Shelly plant will get its gas?

A. [illegible] Shelly [illegible] known.

Mr. Seth again put his question and Mr. Green testified as follows:

A. The north Eunice pool -- north of Eunice.

Q. What we want to know is what pools your new plant will take its gas from.

A. From the entire pool because of our gathering lines from south of Eunice. That's the whole Eunice pool.

Q. You have made contracts for gas for the new plant?

A. The new plant is tied on to our complete system of gathering lines.

Q. What pools do you gather from now?

A. I believe it is what we call the Eunice pool. It is all around Eunice. There is the Penrose-Skelly pool, the Paddock, the Harding, the Brinkard and the Brunson.

(Mr. McKinney here resumes the stand)

Q. Do you know that in these other pools other gas plant arrangements have been made with producers so as to even off the flow of gas to the gasoline plants. Do you not know that?

A. No, I didn't know that.

Q. If that were done with these pools it would do away with any necessity for a standby provision, would it not?

A. Yes, if we could get our full 18 millions a day.

Q. The gas available at the new Skelly pool will exceed what you want?

A. Yes.

Q. If what has been done with other pools and arrangements have been made to even off their production, you wouldn't need a standby, would you?

Q. Yes, [illegible] field [illegible].

Q. Which comes of [illegible] [illegible]?

A. It is now shut in.

Q. And there is no outlet for it.

A. That is correct.

Q. And the other gas plants all are over [illegible] without standby?

A. All of them are on residue gas. I think that is correct.

Q. No other gas plant has had any use of gas well gas in its operation, isn't that true?

A. Well, not that I couldn't say. I don't know about the Charles Mau Johnson plant.

Q. As far as you know no other carbon black company has any standby proposition such as you suggest?

A. You mean in New Mexico?

Q. Yes, in New Mexico.

A. No, sir, I do not.

JUDGE WRIGHT: I want to ask Mr. Green a question. What has been your experience in connection with the shelly operations as to the fluctuation of the gas supply say, for instance, at the end of the month or the first day or two at the beginning of the month.

A. Starting in about the 26th of the month our gas volume begins to drop off. For the past three months we have dropped off as much as 18 million feet -- during the last four or five days of the month and two or three days of the first of the month.

Q. Has there been any improvement noted?

A. There has been a little improvement in December over last December. We were not as short as we were this December over last December and we were not as short in this December as we were in November of this year. I do know that we have been working on that problem and trying to work it out but I doubt if it will ever be 100 percent.

MR. ADDISON: What is the capacity of your present plant?

A. 6 million.

Q. And that [illegible] down as much as 12 million, so [illegible] would bring it down to 4p million?

A. No, the reason why we are within [illegible] near plant is to take care of the gas that is dropping in the field. When we drop down to 12 million we don't have any gas dropping in the field at all. We are utilizing all the gas that is available and when we start the new plant we will have our 12 million until the gas drops off at the end of the month.

JUDGE WRIGHT: Then the solution is for the operators to work out a uniform production over the month -- over each day of the month.

Mr. McKinney is again questioned.

JUDGE WRIGHT: Mr. McKinney, you have been in this carbon black business for some time?

A. Yes.

Q. What experience did you have with this problem in the operation of the plant in West Texas?

A. Just as Mr. Green says. At the end of the month the volume falls and we do not have enough to operate sufficiently.

Q. Is that due primarily to the fact that the oil operators have gotten all the production they are entitled to under the pro-ration set up?

A. That is correct.

Q. And they shut down to catch up?

A. Yes, that is correct.

MR. GRAHAM: I want to ask a question relative to the record. I don't have the Panhandle Carbon file here. I wonder if the changes in the name of the --

A. It is merely a change of the name. That is all and it has been approved by the Corporation Commission, and the Continental is qualified to do business in New Mexico.

MR. [illegible]: On behalf of the Executive Committee of Lea County Operators I would like to make a statement. They request me to state that they are opposed to the use of gas well gas in the manufacture of carbon black. As we understand it, every other plant

is carried on reviews or similar [illegible] we do not believe that a general rule be established of using gas well gas for the manufacture of carbon black. We have written about so many different [illegible] in the valley, it should not be established at this time.

JUDGE MAHON: In view of the position stated by Mr. Seth of the Executive Committee of Lea County Operators, we would like to ask the Commission that as to the use of gas well gas -- dry gas -- that the Commission in any order which they may grant us give us the right, in case of emergency, to apply to the Commission for temporary permit to use the gas well dry gas as a standby to meet an emergency with the understanding that if it is more than a temporary permit or right to use it that we will then apply through a formal hearing. In other words, we want to protect ourselves within reason if we can and we do not wish to come in conflict with the Lea County operators because we feel that they are going to try to work out this problem as a conservation measure and we feel that our application is within the purview of conservation and we simply want to protect a large investment against emergency contingency. We don't contemplate or plan to go generally into the field to buy and if we use any of that we will pay the current price for that type of gas.

MR. SPURRIER: Mr. McKinney, do I understand that by building the contemplated plant at Eunice that you will actually gather about 18 million cubic feet of gas per day from the Skelly Gasoline plant not yet built, which would otherwise be flared?

A. That is correct.

MR. SPURRIER: How many cubic feet a day do you anticipate -- not necessarily a correct figure now, but how much do you anticipate you might have to use from this gas well?

A. That is hard to say. It all depends on the flow from the oil wells to the Skelly which processes and extracts the gasoline. I won't say that it would be an exhorbitant amount at

[illegible] and [illegible] month. I would say I should [illegible] over -- and this is a guess -- 3 million [illegible] the latter part of the month. That is hardly a fair question [illegible] just guessing.

Q. I realize that but I am trying to get some [illegible] into this case a little more definite than we have had, my point being this: I don't know whether it is possible that we should use as much as 3 million feet a day [illegible] as well to move 19 million feet a day which might otherwise be flared. And that brings up a question. I probably put that wrong. But the question is, could you operate this plant to use 16 million cubic feet a day if you don't have the standby?

A. Do you mean could we operate this plant at the end of the month minus the three million that I guessed we might use?

Q. Yes.

A. In that case we would have to, wouldn't we?

MR. MORRELL: I might enter a statement for the Commission. So far as production of gas on federal acreage is concerned at the present time I would say that we would not approve the use of gas well gas for burning in carbon black plants. That is the position that substantiates that presented by the Executive Committee of the Lea County Operators. Use of gas for carbon black plants in Lea County to date has been essentially from residue gas from the conservation standpoint to prevent waste and I follow the thought expressed by Mr. Spurrier that the plant -- any new carbon black plant -- should be constructed on the basis of the supply or available surplus residue gas rather than setting a fixed plant capacity and meeting emergency gas as you are requesting. Most carbon black plants are so constructed that the separate buildings can be turned on or off depending on your supply.

MR. MCHUGH: That also decreases the efficiency.

MR. MORRELL: The question there is a matter of preventing waste as against efficiency of the operation of the carbon black plant.

JUDGE WRIGHT: That would be [illegible] for [illegible] plant [illegible] li-cation. [illegible] this order to establish [illegible] available on [illegible] of oil wells and [illegible] as soon as the field continues to develop.

MR. MORRELL: That is the thought that I had in my mind -- instead of 15 millions it might be started at 1½ million capacity and could be expanded as the additional oil wells are completed.

JUDGE WRIGHT: We do not ask for any specific period of time on this. The prior applications and the existing permit to our existing plant is based to July, [illegible], and we ask that we be given a ten year period and we would appreciate it if the Commission could act on it as soon as possible so that we can get started on the Skelly people.

MR. MORRELL: In case of real emergency there would be no objection.

JUDGE WRIGHT: If we could be granted along those lines we would appreciate it very much.

MR. SPURRIER: I would like to ask one further question. We have no witness from the company which would be concerned and that is just something that someone may care to volunteer as a matter of information for the Commission. Since Mr. Morrell has brought up the question of superior use of gas well gas, what is the price that El Paso Natural Gas Company, which is the only market in the vicinity excepting the carbon black plants -- what is the price that they want for dry gas well gas?

... You will have to go a little further. I believe Phillips has a representative here and they will probably tell you.

MR. SPURRIER: Mr. Brown, would you care to hazard an estimate

[illegible]: I don't know [illegible].

[illegible]: [illegible] 2 cents, but now it is [illegible].

[illegible] [illegible].

[illegible]: I know the prices run around 3 up to 7 on the pounds pressure, the [illegible] depending on the price at which they deliver at, but you have your depreciation, costs and everything which you have to pay. That is on a 2 pound base.

JUDGE W: If there is no market there is no price except when we agree that we will offer a comparable price and we agree that will be the price paid by the gas companies.

MR. SPURLOCK: I might further comment that no one is to get the mistaken idea that I do not favor the use of residue or flare gas where it is available even more so than it is in Lea County today.

MR. SHERRAD: I would like to ask, has any effort been made to sell the gas from the well?

MR. LOVELLING is sworn.

MR. LOVELLING: There are several things that I have investigated in regard to the question of any attempts to dispose of that gas -- first of all we have neither a gas well or an oil well so defined. We may have a gas distilate well. With present rules and regulations adopted by the Commission there is a good chance of it becoming [illegible] as an oil well, in which case the case would be regulated by the gas oil ratio. We have made some investigation as to other sources as disposal and I think that you will find that the five cents being paid for residue gas will not touch what we will be able to get as a sweet dry gas. As I say, there have been some investigations made as to the sale of this gas -- there have been no commitments. We are waiting to learn more about the field, the type of reservoir and that will not be known until more wells are drilled. In addition to this question there are other plans of operation there, It may

as Texas this well may come a part of a federal unit. There are unitization laws being made for the development of this gas by starting out in the Kingsville field region. Nothing has been said here as to the ability of the well to produce. Surely if you look at the gas production ..... processed by the gasoline plants in this vicinity I think you will find that for the last three days of the month and the first two days that the minimum amount being processed by those plants normally runs around 40 percent of the total take. Therefore, in this particular case we had only one well there and it was to be used as a make up gas. It could be expected that we have to furnish up to 60 percent of that 15 million. I don't believe that we would want to produce the well that fast -- that hard.

JUDGE WRIGHT: Well, those are all operating problems.

A. Correct. I don't think they have been investigated.

JUDGE WRIGHT: They should be investigated if and when a permit is granted down there or an order entered covering this emergency.

A. I think investigation should be made first. I think I stated that carbon black had never contacted us. We did investigate the possibility some time back and at that time I don't believe we got very much in the way of response either as to a satisfactory contract or satisfactory price and I think that the matter was more or less dismissed at the time and we have looked elsewhere for markets for the gas. Another thing to remember -- we have an investment of a couple of hundred thousand dollars that we probably couldn't afford to let sit there just for emergency supply. In order to have a contract we would have to have a contract that would insure a sufficient flow of gas to make it profitable which I believe we could get or will be able to get from other sources.

JUDGE WRIGHT: I would like to ask Mr. Minnig a couple of questions.

Q. Your Honor

A. [illegible] Minnie.

Q. You are connected with the Continental Company?

A. Manager of the gas company, in charge of contracts, measurement and distribution.

Q. Will you make such statement as you think should be made in connection with this standby supply as to whether or not there is just the one well or whether there are others.

A. Well, the idea and the reason we had not gone any further with negotiations is the fact that we wanted to get permission before we tied up any contracts which were subject to approval. Second, we have wells around the area that could be tied in either through processing or directly into our lines to bring the gas into the plant and we have been faced with -- not so much in this area -- with shortage at the end of the month and we hope as far as we are concerned that we won't have to use it. But we do feel that if we have a shortage we would like to be able to operate the plant at an efficient rate and keep our buildings lit so that we don't have this up and down situation as Mr. McKinney explained. It is dangerous both to investment and to life. We have had cases where we have had blown up buildings because of that very thing that has happened. We are only asking for it in the case of emergency. Now if the producers, which are all represented in Lea County, are willing to go along and see that we get a steady flow the 30 days of the month, we are willing to wait to see how we operate for the first few months before we make an attempt to get any gas well gas. If it is necessary we are not going to _____to get it. That is the whole object of putting in the request.

Q. Now as to price.

A. As to price -- I think that it has been shown by the fact that we have our contracts there that we are on an equal basis with any other competitive company in the field, I believe there is additional gas that is available from other areas around Eunice and are still being drilled. The Shell well came into it is particularly because it has proved to be about 450 feet from

our plant and I believe Mr. [illegible] of Skelly has a letter concerning that on his desk. Actually, we don't care to make a contract until we see if we are going to need it. Skelly may not be willing to do it. There are other sources that we may go to.

Q. If you have to use any gas well gas how about price?

A. It would have to be a competitive price.

Mr. [illegible]: Are there other possible sources of this dry gas?

A. There are some other sources in the field that are primarily gas well gas. I wouldn't say perhaps according to New Mexico laws they might not be classified as gas well gas.

Mr. McCORMICK: What about the prices paid by Phillips?

A. I am not sure. I think it is about 4 cents and will increase in 1949 -- at the end of 1949. We get our gas from Phillips sour. We treat it, by the treating costs on it and it is running around 4 cents and our treating costs run about a quarter of a cent.

Mr. McCORMICK: How about the gas from Skelly. Is that treated by the time you get it?

A. The majority is from a sweet gas and will be primarily _____ which is over a grain and a _____

A. "Our contract stipulates the gas to be under 50 grains, that pipe line gas of a grain and one-half or more is considered sour".

A. Very much on the same basis.

Q. How much is Phillips producing?

A. I believe they are delivering 80 million feet to El Paso.

Q. Is any of the Phillips gas being flared?

A. There is a small amount during peak loads.

Q. Who is purchasing the gas from the present Skelly plant?

A. Columbian plant. They have the contract. I might state one thing that came up a year ago if you will recall the cold spell that hit here. El Paso has trouble getting gas so we shut part of our plant down in order that they could have the gas available for heating fuel.

Mr. McCullough:

What is the explanation for these different basis of measurements. Just to conclude the public.

A. Well, I think my content has been too to consider it. Pipeline companies have always used more or less a standard _____ pounds. That is, pounds above atmospheric pressure.

Mr. McCullough: What is atmospheric pressure.

A. 14.65 That is 11 percent difference.

Q. In other words you take a price on 14.65 and add 11 percent to it. How difficult would it be to establish a uniform basis of measurement which would apply to all gas?

A. I am not qualified to answer but I think it would be very difficult because of contracts that are made. However, I think all the reports are 14.65.

Mr. McCullough: Well, the Oil Commission has their reports on one base and some of the land office reports are on another base.

A. Well, that again makes it difficult.

Mr. McCullough: And it affects the royalty of the payments about_____or_____percent.

A. I know certain companies that have theirs at ten ounces and others I have heard have some as high as six or seven pounds.

Mr. McCullough: Do you think it would be a difficult matter to formulate and enforce a uniform method basis of measurement.

A. I don't think it would be hard to enforce. These other companies have their own basis and I wouldn't want to put myself in a spot. They have their reasons for using other pressure basis.

Mr. McCullough: What is a legitimate reason?

A. Well, when you come down to it it was the reason for using 4 ounces. It has been taken as an arbitrary figure and it has been standardized by certain commissions. That is the only reason for it but any time you are talking about price on gas you have to go back to 14 or some standard and that is a big thing.

[illegible]: [illegible]

A. I haven't in the business at [illegible].

Mr. McKenzie: It doesn't involve [illegible] or matters [illegible]?

A. No. You can't [illegible] to the others.

Mr. McKenzie: It wouldn't be necessary to buy new [illegible]?

A. No, sir. You would have to set your meters a little different, but it doesn't require new ones.

Mr. [illegible]: It seems that from the testimony most of the arrangements for so-called gas well gas for emergency use for your plant are in a formulative stage.

A. Yes, sir.

Q. In that stage I have wondered whether you have considered making contracts or arrangements with a purchaser of gas who has their lines already in and amount that could be delivered to you for emergency use rather than your going out to individual wells and retaining them as standbys. You have 2 such opportunities in New Mexico -- The El Paso Natural and the Lea County Water Company and in that way it would not establish a precedent with respect to taking gas well gas to carbon black companies.

A. We have considered that. The wells closest to us would be easiest.

Q. Is there any objection to your going to El Paso?

A. Well, Lea County would be gas well gas and El Paso would be residue gas. Would the Federal have any objection to using it? We want to get the opinion and if a permit could be granted with that in there it would save coming back and the expense of a hearing.

Mr. MORRIS: If the Lea County Operators and the Federal unit have no objection, you would save the operating expense of maintaining your own connection. With respect to Lea County Water Company, that takes gas only from non-federal leases so we would have nothing to say. As to any taken from El Paso, I would say we

likewise had no objection.

MR. SPURLOCK: I have a question. During the hearing for Lea County Operators before the Commission understand that Lea County operators object to the manufacture of carbon black from gas well gas?

MR. [illegible]: That is it exactly.

MR. SPURLOCK: I wonder if you would care to elaborate on?

MR. [illegible]: It is my understanding that we feel that it is an inferior use. We feel that gas well gas, if no more markets are immediately available, -- there will be ultimately -- should not be used for the manufacture of carbon black when there is plenty of residue gas available for that purpose.

MR. SPURLOCK: I am going to make a comment and ask no question in particular, but from what is in the record now we understand that there is gas well gas being transported from the state by El Paso Natural Gas Company and there is gas well gas in Lea County Water Company's lines which I believe supplies the City of Hobbs some 12 million feet a day.

JUDGE WRIGHT: Gas well gas.

MR. SPURLOCK: That is what I understand. I also understand there is a comparable price paid by the carbon black companies and El Paso Natural Gas for gas well gas. I believe that Lea County Water Company -- I don't know what price they pay -- in fact they make their own wells. I want to be contradicted if I am not right.

MR. McCORMICK: I don't think gas well gas is being used in carbon black.

MR. SPURLOCK: I should qualify that and say that they pay a comparable price for residue gas and to get dry gas there is a competitive market in Lea County.

JUDGE WRIGHT: When a pipe line is available.

MR. SHERRARD: We will now take up Cases No. 170 and 171. Since there are no witnesses I will explain.

As you all are probably familiar, any deletion of any pool as recommended by the nomenclature committee must be brought out in open hearing. Additions likewise suggested may be done in executive session and usually are. Therefore, we have advertised with the legal period of advertisement and if there are no objections to be registered by any one here, then we consider the case closed and we always delete that portion of the pool as recommended. Are there any objections to the deletion as set forth in these two cases?

MR. SHERRARD: Are there any comments? Mr. Morrell do you have any?

Mr. MORRELL: No.

MR. SHERRARD: If there are no further comments we will take up the next case, No. 172, In the Matter of the Application of Floyd West.

(MR. WEST IS SWORN IN.) He is accompanied by his attorney, Mr. M. M. Hoy.

MR. HOY: State your name

A. Mr. Floyd West.

Q. May it please the Commission, we are asking for a location 150 north of what would be the normal location. The reason for the request is the matter of the La Platta River and the terrain of the land which Mr. West will take up in his testimony. Mr. West, explain to the Commission the course of the La Platta River at that particular place, how far it is from the present location which you have; also the matter of your geological formation there.

A. Well, but our location where it was surveyed and it would be in the river and we have a fault condition on the north side, so that's the reason why we put this location where we did.

MR. MCCULLOCK; Do you own the adjoining leases?

A. Yes, we have the leases.

MR. SHERRARD: Federal or State?

A. Federal on the east, section 5 is state.

MR. MCDONALD: [illegible] land surrounding this [illegible]

A. No, just on the east.

MR. MCDONALD: How much acreage do you have in section 5?

A. I believe there are about 320 acres.

MR. MCDONALD: Do you remember the subdivisions that cover it?

A. No.

MR. LOY: In their leases they all have all of section 5. There are these 320 acres he speaks of -- he and his associates have the lease on the Federal land to the east which joins this land.

MR. MCDONALD: How close are you to production?

A. I would say about eight or ten miles. There are some producing wells east of us there.

MR. SHEPARD: What pool is that?

A. It is the Fulcher basin, some fellows by the name of Stern and Brown.

MR. SHEPARD: Mr. Morrell do you have anything to say?

MR. MORRELL: If the location is exactly reported - 1220 feet -- it is sufficiently far from Federal land and we would have no objection.

MR. SHEPARD: If there is nothing further we will call the case closed. The witness is excused and the hearings are over.

STATE OF NEW MEXICO)
) ss
COUNTY OF SANTA FE)

I, Virginia Lichtmann, hereby certify that the foregoing transcript of proceedings before the Oil Conservation of the State of New Mexico, at the time and place therein set out, is a true record of such proceedings to the best of my knowledge, skill and ability.

DATED at Santa Fe this 14th day of January, 1949.

Virginia Lichtmann

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 168
ORDER NO. 805

THE APPLICATION OF CLARY AND RUTHER
FOR AN ORDER GRANTING PERMISSION
FOR AN UNORTHODOX LOCATION DESIG-
NATED AS CLARY & RUTHER STATE NO. 1,
DESCRIBED AS 106.3 FEET FROM THE NORTH
LINE AND 43.9 FEET FROM THE WEST LINE
OF SECTION 36, TOWNSHIP 23 SOUTH, RANGE
2 EAST, N.M.P.M. IN THE NW¼NW¼NW¼
THEREOF IN DONA ANA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This matter came on regularly for hearing at 10:00 o'clock a.m. on the 7th day of December, 1948, but was continued to January 6, 1949 for lack of appearance of applicant, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 17th day of January, 1949, the Commission having before it for consideration the testimony adduced at the hearing of said cause and being fully advised in the premises;

FINDS:

1. That due public notice having been given as provided by law, the Commission has jurisdiction of the case;

2. That said location 106.3 feet south of the north line and 43.9 feet east of the west line of Section 36, Township 23 South, Range 2 East, N.M.P.M. was staked for geological reasons and made necessary by reason of the rough and irregular topography.

IT IS THEREFORE ORDERED that the application of Clary and Ruther for an order authorizing an unorthodox well location for its Clary & Ruther State No. 1, 106.3 feet south of the north line and 43.9 feet east of the west line of Section 36, Township 23 South, Range 2 East, N.M.P.M. in the NW¼NW¼NW¼ thereof in Dona Ana County, New Mexico, be, and the same is hereby granted, and approved.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

THOMAS J. MABRY, CHAIRMAN

Guy Shepard
GUY SHEPARD, MEMBER

R. R. Spurrier
R. R. SPURRIER, SECRETARY

[illegible]

[illegible] 10:00 o'clock a.m. on that day [illegible] Santa Fe, New Mexico, [illegible].

STATE OF NEW MEXICO TO:

All named parties in the following cases, and notice to the public:

CASE NO. 16[illegible]

In the matter of the application of Clary and Luther for an order granting permission for an unorthodox location designated as Clary and Luther State No. 1, described as NW/4 NW/4 106.2 feet from the north and 73.0 from the west lines of Section 26, Township 23 South, Range 2 East, N.M.P.M., Dona Ana County, New Mexico.

Given under the seal of the Oil Conservation Commission of New Mexico at Santa Fe, New Mexico on November 17, 194[illegible].

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

By R. R. Spurrier
R. R. SPURRIER, SECRETARY

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

18 November 1948

The Las Cruces Sun News
Las Cruces, New Mexico

RE: Case No. 168 - Notice of 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 IN DUPLICATE.

For payment please submit statement in duplicate, accompanied by voucher executed in duplicate. The necessary blanks are enclosed.

Very truly yours,

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RRS:bsp

COPY

file *
Give Case no.

November 4, 1948

Oil and Gas Conservation Commission
State of New Mexico
Santa Fe, New Mexico

Gentlemen:

I am writing to you to request a hearing in relation to the location of an oil and gas well which we are drilling in Dona Ana County, New Mexico, on state leased land.

It was necessary for us to choose an unorthodox location for the drilling which does not coincide with the regulations which you have for such drilling. This well, known as the Clary and Ruther State No. 1, is located in the NW¼ of the NW¼ of Section 36, Township 23 South, Range 2 East, Dona Ana County, New Mexico. The well is in the process of being drilled, at the present time being approximately 150 feet in depth. The drilling is located 43.9 feet east of the west section line and 106.3 feet south of the north section line.

The reasons for drilling in this particular location was that it was the only place that a rig could be moved in and set up without extreme expenses as to the building of roads, dikes and fills. Your petitioner has gone to quite heavy expenses as it is bringing a road to the present location and if it were necessary to move further, the cost would be several thousand dollars more because of the terrain in that section. It would have been necessary to have gotten heavier equipment, probably out of Albuquerque, to be able to locate in other parts of the section and your petitioner is not in position to carry this heavy extra expense at the present time. If the location had been moved further in the section from where it is now, it would have caused the location to be in an arroyo, which would be dangerous from the standpoint of flood water and storm hazards. Also, no one else is drilling wells in this particular area and your petitioner has either leases or applications for leases in the process for land several miles in either direction from the point where we are now drilling.

We would appreciate an early hearing on this matter since we are now continuing to drill and oil or gas might

be discovered at any time. Of course, if it is discovered we could do nothing about it until you have held this hearing and given approval to our actions.

Very truly yours,

CLARY and RUTHER

By W B Darden

W. B. Darden
Their attorney
P. O. Box 667
Las Cruces, N.M.