

H E A R I N G

BEFORE THE OIL CONSERVATION
COMMISSION OF THE STATE
OF NEW MEXICO.

Held in the Office of Governor,
State Capitol Building, at Santa Fe,
New Mexico, at nine o'clock A. M.,
August 31, 1939.

PRESENT: GOVERNOR JOHN E. MILES, Chairman;
FRANK WORDEN, State Land Commissioner, Secretary;
A. ANDREAS, State Geologist;
CARL B. LIVINGSTON, Attorney for Oil Conservation
Commission;
J. O. SETH, Santa Fe, New Mexico;
S. P. HANNIFIN, of Magnolia Petroleum Co., Roswell,
New Mexico;
GLENN STALEY, Proration Umpire, Hobbs, New Mexico;
N. E. BARNETT, Tide Water Assoc. Oil Co., Midland,
Texas;
ROBERT L. IMLER, Repollo Oil Co., Tulsa, Oklahoma;
DELMAR R. GUINN, Cities Service Oil Co., Hobbs,
New Mexico;
O. D. CRITES, Shell Oil Co., Inc., Houston, Texas;
ROY YARBROUGH, Oil Conservation Commission, Hobbs,
New Mexico;
A. E. WILLIG, The Texas Co., Fort Worth, Texas.

The hearing was opened by Governor Miles.

THEREUPON, at the request of Mr. Worden, the Notice for
Publication for the hearing was read by Mr. Livingston, as
follows:

"NOTICE FOR PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

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

"Case No. 18.

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

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

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

OIL CONSERVATION COMMISSION

(SEAL)

By (Sgd.) FRANK WORDEN

By (Sgd.) A. ANDREAS "

BY MR. WORDEN: Gentlemen, you have just heard the reading of the Notice of Hearing, and the Commission at this time is ready to proceed.

BY MR. SETH: Gentlemen, I am here as a royalty owner in the Eunice Pool. Mr. Crites of the Shell is here and is thoroughly conversant with the situation, and I suggest he be sworn in and give such facts as he has and his views.

Thereupon, Mr. Crites was called and duly sworn by the Land Commissioner. Mr. Crites testified as follows:

EXAMINATION BY MR. SETH.

Question: State your name please.

Answer: O. D. Crites.

Q. By whom are you employed and in what capacity?

A. Shell Oil Company, Incorporated, as Manager of Crude Oil Department.

Q. Does your company purchase oil?

A. Yes, sir.

Q. Are you familiar with general statistical position of the industry?

A. I am.

Q. Mr. Crites, I am sure the Commission would like to have such facts and opinions as you may care to give concerning the continuance or let-up of the shutdown that was ordered by an emergency order of the Commission and which I think expires tomorrow morning at seven o'clock.

A. All right, sir. I would first like to give a few figures that I have taken off of the Bureau of Mines reports and A.P.I. reports. For the week ending August 26, crude runs to stills in the United States were 3,475,000 barrels per day. For the previous week, August 19, it was 3,575,000 barrels per day. The figures for daily crude runs for a year ago amounted to 3,269,000 barrels per day. It may be noted the runs at this time are considerably in excess of those for a year ago. Gasoline stocks reported as of August 26 are 73,475,000 barrels. For the previous week, ending August 19, or as of August 19, gasoline stocks showed 74,738,000 barrels, or a reduction of only 1,263,000 barrels. I might say that during the shutdown period, and which in my opinion is borne out by past history, this shows only a normal reduction during the summer months. Gasoline stocks of a year ago at this time were 71,893,000 barrels and it may be noted that stocks as of the present time are in excess of stocks of a year ago. Crude stocks as of August 12 amounted to 267,536,000 barrels. According to some testimony taken at Austin which I read about (I didn't attend the meeting), some of the statisticians thought the stocks would be around 250,000,000 barrels. I think they will probably be less than that because production ending the week of August 26, according to the A.P.I. figures, showed 1,423,000 barrels, while crude runs showed 3,475,000 barrels. It looks to me like crude is coming from stocks at the rate of two million barrels a day, which if true would put stocks down to 237,000,000 or 240,000,000 barrels. In my opinion, that is probably about the minimum of crude stocks that can be used as a safe margin to work on. I think from these figures I have just read that probably the State is justified in lifting the shutdown and resuming production, but I would recommend a curtailed rate so as to hold crude stocks down and perhaps limit these refinery runs that seem to be excessive and are keeping gasoline stocks up.

Q. You would recommend, then, that the State resume normal production of crude at a somewhat reduced rate?

A. Yes, sir, I would recommend they resume production, but at a reduced rate.

MR. SETH: That's all.

MR. WORDEN: Mr. Livingston, do you have any questions to ask the witness?

MR. LIVINGSTON: From the figures you gave from statistics, I gather it is your opinion that the excess of crude petroleum upon the market is somewhat materially reduced?

MR. CRITES: Yes, crude petroleum - yes, sir, Mr. Livingston, but not our gasoline stocks.

GOVERNOR MILES: Our gasoline stocks are more now than at this time a year ago?

MR. CRITES: Yes, sir, Governor, they are. The gasoline stocks as of August 19, are 74,738,000 barrels, while a year ago at the same time they were 71,893,000, so gasoline stocks are somewhat above those for this time last year.

GOVERNOR MILES: Does anybody else have anything to say?

MR. ANDREAS: I don't have anything to ask Mr. Crites, but I see we have representatives of other companies who might have something they would like to say. Mr. Imler, do you want to offer any testimony?

MR. IMLER: I think not. I am not qualified to give any statistics and I am here more or less as an observer to report back whatever action the Commission takes.

MR. A. E. WILLIG, representative of The Texas Company, then requested the Commission to take some action relative to oil produced by wells which were exempt from the shutdown order, and it was decided by the Commission that if and when the shutdown was lifted, the Commission would take into consideration the condition and history of each well exempt from the shutdown order, at which time such action as necessary would be taken relative to the oil produced from such wells.

MR. SETH: If nothing further is to be brought up, I move that the shutdown be allowed to terminate at seven o'clock tomorrow morning, and that the proceedings leading up to this hearing be dismissed and the Commission proceed to determine the amount of oil that may be produced without waste in the State as a whole. In other words, that production of oil be resumed beginning at seven o'clock tomorrow morning.

GOVERNOR MILES: This is agreeable to me.

MR. WORDEN: I know the Governor has plenty of other troubles and I imagine we have done everything necessary for us to do here to arrive at a decision. We will, in that case, recess this meeting for the purpose of considering the adoption of an order lifting the shutdown and for the further purpose of setting our allowable for the month of September. So if there is nothing further, this meeting will be recessed.

WHEREUPON, the meeting was recessed.

The members of the Commission reconvened, and an order lifting the shutdown was adopted. The allowable for the month of September was set by the Commission at 97,000 barrels per day.

There being no further business to come before the hearing, the hearing adjourned.

STATE OF NEW MEXICO)
County of Santa Fe)ss.

I, Irene Kershner, hereby certify that the above and foregoing three and a fraction pages of typewritten matter constitute a true, correct and complete transcript of the shorthand notes taken by me at the hearing before the Oil Conservation Commission held in the office of the Governor, State Capitol Building, Santa Fe, New Mexico, on Thursday, August 31, 1939.