

CASE NO. 34

BEFORE THE OIL CONSERVATION COMMISSION OF THE
STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF THE NEW MEXICO ASPHALT AND REFINING COMPANY THAT THE BARBER AREA, EDDY COUNTY, NEW MEXICO (being asphaltic base production) BE ALLOWED TO PRODUCE 100 BARRELS PER DAY PER UNIT OF PRODUCTION FOR A LIMITED PERIOD IN ORDER TO FILL THE APPLICANT'S REQUIREMENTS OF 1500 BARRELS DAILY OF THE TYPE OF CRUDE OIL PRODUCED IN SAID AREA FOR THE PURPOSE OF MAINTAINING DELIVERIES OF ASPHALT AND ROAD OILS TO THE U. S. ARMY ENGINEERS FOR AIR BASE PROJECTS THROUGHOUT NEW MEXICO.

Pursuant to notice by the Commission, duly made and published, setting August 28, 1942, at two o'clock, P. M., for hearing in the above entitled matter, said hearing was convened on said day, at said hour, in the office of the Governor of New Mexico, at Santa Fe, New Mexico, the Commission sitting as follows:

HON. JOHN E. MILES, Governor of New Mexico, Chairman
HON. JOHN M. KELLY, State Geologist, Secretary
HON. H. R. RODGERS, Commissioner of Public Lands, Member
HON. CARL B. LIVINGSTON, Chief Clerk and Legal Advisor.

APPEARANCES:

<u>Name</u>	<u>Company</u>
C. J. Dexter	Premier Petroleum Corp.
Chuck Aston	Franklin Pet. Corp.
Fred Brainard	Brainard & Guy
P. B. English	P. B. English
Leo R. Manning	State Land Office
Bert Aston	Franklin Pet. Corp
Fred L. Jacobs	Loco Hills Pressure Maintenance, Inc.
George W. Selinger	Skelly Oil Co., Tulsa, Okla.
J. N. Dunlavey	Skelly Oil Co., Hobbs
J. O. Seth	Spectator
Neil H. Wills	Carlsbad, N. M.
Ellis A. Hall	E. A. Hall
B. A. Bowers	Rep. Helen M. Bowers and Katherine Bowers
W. L. Cooper	Plains Production Co.
Glenn Staley	Lea County Operators
J. M. Rush	Trinity Drg. Co.
H. B. Hurley	Continental Oil Co.
E. P. Keeler	Continental Oil Co.
Walter P. Luck	N. M. Asphalt & Rfg. Co.

The meeting was called to order by the Chairman, who requested the Chief Clerk to read the Call of the meeting, which was read by Mr. Livingston, as follows:

"NOTICE FOR PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

The Oil Conservation Commission, by law invested with jurisdiction as the oil and gas regulatory body of the State of New Mexico, hereby gives notice of the following hearing to be held at the Capitol, Santa Fe, New Mexico:

Case No. 34

In the matter of the application of the New Mexico Asphalt and Refining Company that the Barber Area, Eddy County, New Mexico, (being asphaltic base production) be allowed to produce 100 barrels per day per unit of production for a limited period in order to fill the applicant's requirements of 1500 barrels daily of the type of crude oil produced in said area for the purpose of maintaining deliveries of asphalt and road oils to the U. S. Army Engineers for air base projects throughout New Mexico. This case is set for 2 o'clock P. M., August 28, 1942.

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

The foregoing Notice of Publication was made pursuant to the direction of the Commission at its Executive Meeting August 3, 1942.

Given under the seal of said Commission at Santa Fe, New Mexico, on August 3, 1942.

OIL CONSERVATION COMMISSION

BY (SGD) JOHN M. KELLY
SECRETARY"

SEAL

BY MR. LIVINGSTON: The Commission is now ready to proceed upon Case No. 34. Mr. Luck, Counsel for Petitioner, will present his case.

NEIL H. WILLS,

being called as a witness, and being first duly sworn to tell the truth, the whole truth, and nothing but the truth, was examined by Mr. Luck, and testified as follows:

DIRECT EXAMINATION

Q Mr. Wills, you are the owner of the P.C.A. Pool in the Barber Area?

BY MR. SELINGER: I would like to enter my appearance in this case: My name is George W. Selinger, representing the Skelly Oil

Company.

BY MR. LUCK: (To the witness)

Q You are the operator of the P.C.A. Pool in the Barber Area?

A Yes, sir.

Q In Eddy County, New Mexico?

A Yes sir.

Q How many wells do you have?

A I believe sixteen.

Q From these sixteen wells you have been producing your back allowable?

A Yes, sir, for the past nine months.

Q How much daily have you been producing?

A We have been producing very nearly 800 barrels a day.

Q Are you caught up on your back allowable?

A In Section 15.

Q If you are not permitted to produce those wells -- what is the allowable for those wells?

A The allowable is 34 barrels a day for five of the wells, about 170 barrels a day.

Q You are a geologist?

A Yes sir.

Q Where did you obtain your training?

A The Colorado School of Mines.

Q How many years experience have you had as a geologist?

A Since I graduated in 1925.

BY MR. SELINGER: As far as our company is concerned, we will admit his qualifications.

BY MR. KELLY: The Commission will admit his qualifications.

BY MR. LUCK:

Q In your opinion, would it damage the reservoir to produce your wells as you have been producing them?

A In my opinion, I do not think it would, although I do not think I can qualify as a petroleum engineer.

Q Have you ever discussed this matter with Mr. Hanson, of the U. S. Geological Survey?

A Yes, sir.

Q Of the U. S. G. S. in Roswell?

A Yes, sir.

Q Do you know what he thinks?

A I think he is of the opinion that 100 barrels a day would not cause physical waste.

Q I will ask you if this is a letter you received from Mr. Hanson?

A Yes, sir.

BY MR. LUCK: We would like to offer this letter in evidence.

BY MR. KELLY: The Commission will accept it.

(Marked Exhibit No. 1)

Q Who are the rest of the producers in that area?

A Mr. Hargrave and Mr. Eastham and Mr. Keyes. Hargrave & Eastham are partners.

Q How many wells are you drilling now?

A We are completing one right now.

Q And you are the producer?

A Yes, sir.

BY MR. KELLY: Where is that well located?

A In Section 15.

BY MR. LUCK:

Q You have a contract with the New Mexico Asphalt & Refining Company for the production of crude oil?

A Yes, sir.

Q Unless you get an increase in your allowable --

BY MR. KELLY:

Q Mr. Luck, will you state how much crude Mr. Wills has to deliver?

BY MR. LUCK: There is no special number of barrels, but we much, or should deliver our requirements.

A (By the witness) I believe it is our desire to try to deliver their requirements, but there is no penalty for not, as I remember the contract.

BY MR. LUCK:

Q During the past month, what was your rate of withdrawal?

A I believe we sold about 800 barrels a day.

BY MR. KELLY:

Q In your opinion, how many of your wells, and what wells, are

capable of making 100 barrels a day, by some designation?

How many wells, and where are the wells located?

A Well, I believe all five of these wells will make 100 barrels a day. However, we are not producing that much from them. I believe the average was 75 to 80 barrels during August.

Q Have you any other wells making 100 barrels a day?

A The older wells, in Section 20; we have a large back allowable on those wells.

Q Those wells have produced longer?

A Section 20, the wells are five years old, and Section 15 is only two years old.

CROSS EXAMINATION By Mr. Selinger:

Q Mr. Wills, the type of crude from the wells in the Barber Pool, does that type differ from the crude produced from wells in other parts of the state?

A It is a lower gravity, asphalt base oil. So far as I know, it is the only oil of that type, with the exception of the Getty Pool.

Q With respect to the Barber Pool, where is the location of the Getty Pool?

A Three miles west.

BY MR. KELLY:

Q In order to clarify the location of these wells, with reference to the proration area, are these pools within the same area?

A You are speaking of the proration area?

Q I am speaking of the proration area.

A I believe the P.C.A. Pool is in the proration area of the Barber Pool.

Q I refer to the Getty and Barber Proration Area.

A They adjoin.

BY MR. SELINGER:

Q With the exception of these two pools, there is no other asphaltic base crude in the state, so far as you know?

A As far as I know.

Q You feel that whatever demand is made for this type of crude, it should be spread over all areas producing this type of crude?

A Oh, yes.

Witness dismissed

BY MR. LUCK: I would like to offer these letters in evidence.

We have a letter here from Hargrave & Eastham.

(Marked Exhibit No. 2)

A letter from Keyes & Atwood.

(Marked Exhibit No. 3)

And a letter from Neil H. Wills.

(Marked Exhibit No. 4)

We offer these letters in evidence.

BY MR. KELLY: They will be received.

WALTER P. LUCK,

being first duly sworn to tell the truth, the whole truth,
and nothing but the truth, testified as follows:

BY MR. LUCK: My name is Walter P. Luck, Vice-president of the New Mexico Asphalt & Refining Company, of Artesia, New Mexico.

We have a contract with Neil H. Wills, and Hargrave & Eastham, and with F. G. Keyes, in the Barber area, to purchase their crude. Our requirements will be about 1500 barrels per day, but the pool will not produce that much oil. We have a contract with the United States Army Engineers, at Albuquerque, to deliver asphalt and road oil to a total of five million barrels, and we will be busy until next spring on this contract, and unless we get the crude oil, we cannot meet these contracts.

That is all.

BY MR. KELLY:

Q Has your company made an analysis of other crudes to sell to the Army, that are asphaltic base crudes?

A Yes, sir, I have them here.

Q Will you produce them for the record?

A Yes, with the understanding I may have them back.

Q What do the analyses show?

A This is Analysis C-4785, made by E. W. Saybolt & Company, of the Halfway Pool, submitted by the North Shore Corporation. It shows Vacuum distillation indicates this stock not suitable for asphalt.

(Marked Exhibit No. 5)

Analysis C-4868, by E. W. Seybolt & Company of Corpus Christi, Texas, covering oil for the Montiula Oil Company. It shows Vacuum distillation indicates the stock not suitable for asphalt.

(Marked Exhibit No. 6)

Analysis C-4770, of Half Way Field, submitted by the Argo Oil Corporation, analysis made by the E. W. Saybolt & Company, of Corpus Christi. The analysis shows Vacuum distillation indicates this stock not suitable for asphalt.

There is one other additional area that produces asphalt base crude, and that is the Culberson & Irvine area. They have one well that has a small percentage of asphalt in it, and we are buying that also. That is not under consideration in this hearing today.

Q Are you willing to buy equitably all crude that meets the chemical specifications for crude called for under your contract?

A Yes, sir, no discrimination.

Q If the crude offered from some other field meets the specifications, you would buy it at the same rate as that from this Barber Pool?

A Yes, sir.

BY MR. LIVINGSTON:

Q How does the petroleum of the Getty area compare with this Barber Pool?

A The Getty crude is asphaltic. We are buying that crude. Incidentally, they made another contract for part of their crude. We are not buying all of it. About 125 barrels goes to the potash industry.

Q You are buying all that is offered?

A Yes, sir, all that is available.

Witness dismissed.

BY MR. KELLY: We would like to put Mr. Wills back on the stand for one more question.

Q Mr. Wills, as a producer in that area, if the Commission should grant the increase asked for from the wells capable of making it, would you be willing, after your contract with the New Mexico Asphalt & Refining Company is finished, to cut back to the current allowable? In other words, if the Commission granted this as advance allowable, would you be willing to to produce, after that, at a rate not to exceed 33% of the current allowable?

A I would rather produce currently than do that. We might get a higher rate by selling now, then we might be penalized twice. The price is not going down, but it might go up.

Q You would rather not be cut back after you have finished this contract?

A I would rather not. I would rather produce currently the allowable now, than have it taken back over the next two or three years.

Q Should the Commission grant the increase so that you could produce at the present rate, you will be willing to produce at that rate?

A We would be willing to cooperate with the refinery company on this defense work, but as producers we are not asking for the increase.

BY MR. LUCK: You are here in a technical capacity, rather than as a producer?

A Yes, and we are trying to cooperate with the refinery. But as producers, we are not asking for the increase.

Witness dismissed.

BY MR. SELINGER: I would like to make one statement. We are against special allowables unless they are of state-wide benefit. We feel that whenever there is a demand for crude, it should be spread, if possible, to enable all producers to participate. That is the reason we were very particular to ascertain if that is the way this company feels. We think New Mexico is entitled to a lot of consideration, and we think New Mexico should be interested. We feel if this refinery needs crude, the demand should be spread over all areas producing that type of crude. While we are against selective buying, we think that has been wiped out in this particular hearing, and the Commission should grant this order so that the area embraced ---

BY MR. KELLY: (Interrupting) The Commission would like to call you as a witness.

GEORGE W. SELINGER,

being called as a witness, and being first duly sworn to tell the truth, the whole truth, and nothing but the truth, was examined by Mr. Kelly, and testified as follows:

Q We have one question: As to crude of this type, if Mr. Luck offered to buy crude from your company, would you sell him your available crude?

A Yes, sir, depending upon the economic terms, we are, and we would be willing to sell the crude available. I might say we are under contract at the present time with the Union Potask Company for so much crude every day. The exact details I don't know, but they might be presented to the Department.

Q Do you know whether or not your company is selling to Mr. Luck all crude over and above your previous contract?

A Yes, sir, it is my understanding.

BY MR. LUCK:

Q You have no objections to this request?

A No, we do not have any objection to any purchaser who will spread his purchases over all fields producing this type of crude.

Q You understand this particular type of crude, and the allowable would not affect the lighter crudes?

A That is my understanding.

BY MR. KELLY: In what way do you mean it would not affect the lighter crudes?

BY MR. LUCK: This is a separate and distinct market.

Witness dismissed.

BY MR. COOPER, of the Plains Production Company: Mr. Kelly, if this request is granted, I understand it extends to all wells in this field?

BY MR. KELLY: This application is limited to the Barber Area.

BY MR. COOPER: The application is, but the question is (Addressing Mr. Luck) if other fields produce this type of crude, would you be willing to purchase from them?

BY MR. LUCK: We would, yes, sir.

BY MR. KELLY: The Commission will take the request under advisement.

C E R T I F I C A T E

I hereby certify that the foregoing and attached nine and a fraction pages of typewritten matter are a true, correct and complete transcript of the shorthand notes taken by me on August 28, 1942, in Case No. 34, before the Oil Conservation Commission of New Mexico, and by me extended into typewriting.

Witness my hand this 19th day of September, 1942.


Esther Barton