

SETH AND MONTGOMERY
ATTORNEYS AND COUNSELORS AT LAW
111 SAN FRANCISCO ST.
SANTA FE NEW MEXICO

J. O. SETH
A. K. MONTGOMERY
OLIVER SETH

April 1, 1947

Mr. R. R. Spurrier
Oil Conservation Commission
Santa Fe, New Mexico

Dear Mr. Spurrier:

I enclose petition, dated February 28th, from
Columbian Carbon Company, requesting a modifica-
tion of the existing order so as to permit them
to take from the Skelly Gasoline plant up to
40,000,000 feet of gas per day.

The necessity for this use in the manufacture
of carbon black is set out in the petition, and
I would be glad to discuss it with you. I do not
believe the Oil Conservation Commission has any
real control in the matter, since under the circum-
stances and the price of $3\frac{1}{2}$ cents, there is surely
no waste, but inasmuch as previous permission of
the Commission was obtained, we are again submit-
ting the matter to the Commission.

Personally, I can see no reason for any formal
hearing in the matter.

Very truly yours,



JOS:CB
Encls.

COLUMBIAN CARBON COMPANY

COLUMBIAN CARBON BUILDING
41 EAST 42ND STREET

OFFICE OF THE PRESIDENT

NEW YORK 17, N.Y.

February 28, 1947.

Oil Conservation Commission
State of New Mexico
Santa Fe, New Mexico.

Honorable Sirs:

Under date of August 26, 1941 you formally issued a permit to us, Columbian Carbon Company, to use any or all waste residue gas "now being blown to air from the Skelly Gasoline Plant located in the Penrose Field, Lea County, New Mexico" for the purpose of manufacturing "an important defense commodity included in the Army Munition Board list of strategic materials and in line with the Oil Conservation Commission's wish to cooperate with the National Defense effort". Furthermore, the permission reads that it "will apply only to that part of the gas that cannot be used for commercial or domestic sales or in repressuring projects that might be constructed in the future and which gas would be blown to air, constituting surface waste under Section II of the Oil and Gas Conservation law of New Mexico".

Upon receiving the said permit we constructed a carbon black plant consisting of two units which have ever since been operating and consuming approximately 16,000,000 cu.ft. per day of the waste residue gas in question. After obtaining the consent of the Commission in December 1944 to increase our consumption of waste residue gas we added a third unit to our plant. Our total consumption of waste residue has since been approximately 24,000,000 cu.ft. per day.

During the last year and a half casinghead gas production in the area served by the Skelly Gasoline Plant has increased beyond the capacity of the said gasoline plant to handle. The increase is due to the discovery and development of production in lower horizons. The increase promises to continue still further. In order to meet this situation Skelly Oil Company has made arrangements to enlarge its gasoline plant as quickly as materials can be obtained to a capacity which will permit treatment of at least 50,000,000 cu.ft. of casinghead gas per day. At the same time Columbian Carbon Company has found it both desirable and urgently necessary to enlarge its carbon black factory located approximately one and three quarter miles northeast of the Skelly Gasoline Plant in Lea County, New Mexico to such size as will permit it to use up to a total of 40,000,000 cu.ft. per day if that amount of waste residue is available from the Skelly plant operations after normal shrinkage of casinghead intake due to treatment, requirements for gasoline plant operation, return to lease holders for operation and domestic uses, etc.

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State of New Mexico,
Santa Fe, N.M.

February 28, 1947

The investment which Columbian Carbon Company will have to make to take care of the said additional carbon black manufacturing plant is considerable. Columbian is not only willing but anxious to make that investment and assume the business risks that go with it. However, Columbian Carbon Company does not feel that it can take the additional risks arising from the fact that the language thereof makes the permit of August 26, 1941 (1) a license good only during the war emergency and (2) a license good only so long as the gas is not needed for "commercial or domestic sales". Therefore this communication is a petition to the Honorable Commission to issue a new permit for the use by Columbian, without the war emergency restriction and without being subject to prior call for commercial and domestic use, of all the waste residue gas from the Skelly Gasoline Plant which it is able to purchase from the said plant and use.

The use of waste residue gas in the manufacture of carbon black can be firmly placed on its merits. Channel black, the variety of carbon black which Columbian Carbon Company is producing at its Lea County plant, is an essential civilian need. The need is not only essential but is also urgent. There is now an insufficient supply of channel carbon black to meet the market demand. A continuance of this imbalance is probable for some time to come from a long-range viewpoint.

The essentiality of the need for the commodity can be briefly stated as follows:

Channel black is the indispensable color base of all black printing inks such as are used by the modern high speed rotary presses in printing our newspapers and magazines. Channel black is also universally employed in the treads of automobile and airplane tires. Its universal use in tire manufacture is due not to its color, but to the fact that it has the quality of reinforcing rubber, increasing its tensile strength and adding enormously to the safety, durability and mileage of the tire. That is the reason why all modern tires have black treads. The United States Government deemed channel black of such prime importance to military transport during the war that it invested 24 million dollars in construction of factories to augment the supply.

There seems no good reason for differentiating between use of waste residue gas for carbon black manufacture and dedication thereof to commercial and domestic sale. The price to be paid by Columbian to Skelly is competitive with prices offered by purchasers in the area for commercial and domestic resale.

Columbian Carbon Company has negotiated a new contract with the Skelly Oil Company for the waste residue gas from the enlarged Skelly Gasoline Plant which only awaits the Commission's action on this petition for final signature. The contract provides for the use by Columbian Carbon Company of a maximum of 40,000,000 cu.ft. per day. That quantity is all

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Santa Fe, New Mexico

of the waste residue gas which the Skelly Oil Company can foresee that it will have for delivery to Columbian. Columbian has agreed to increase the price it pays for gas presently being delivered to it, namely approximately 24,000,000 cu. ft. per day, to 3¢ per MCF and to pay for all gas it will take up to 40,000,000 cu. ft. per day when its new carbon black unit is completed (i.e., inclusive of the present 24,000,000 cu. ft. daily used) at a minimum of 3½¢ per MCF. The contract contains provisions for substantial price escalation after the first five years.

Since delay, either of the building of the additional carbon black unit or of the enlargement of the Skelly Plant, will postpone the conservation of gas already being produced in the area in excess of the present capacity of the gasoline plant, we pray the Commission to deal with this petition at the earliest possible moment and to issue a new permit to us as free of the mentioned limitations in the present permit as is the Commission's Order 651, issued May 8, 1946, in favor of Charles Eneu Johnson and Company for the use of gas from the South Eunice Pool.

Very truly yours

Columbian Carbon Company



C. E. Kayser
Assistant to the President

C.E.K./BTV

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 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.

STATE OF NEW MEXICO TO:

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, W/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 SE $\frac{1}{4}$ NE $\frac{1}{4}$ 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.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


R. R. SPURRIER, Secretary

SEAL

SETH AND MONTGOMERY
ATTORNEYS AND COUNSELORS AT LAW

III SAN FRANCISCO ST.
SANTA FE, NEW MEXICO

April 11, 1947

J. O. SETH
A. K. MONTGOMERY
OLIVER SETH

Mr. R. R. Spurrier
State Geologist
Santa Fe, New Mexico

Dear Dick:

I have drafted a form of minutes of the meeting in connection with the carbon black matter, and enclose it herewith. It covers my understanding of what you and Governor Miles agreed on.

Very truly yours,



JOS:CB
Encls.

MINUTES OF EXECUTIVE MEETING

OF

OIL CONSERVATION COMMISSION

April 7, 1947

The Commission met in its office on April 7th, 1947. The following were present:

John E. Miles, Commissioner of Public Lands

R. R. Spurrier, State Geologist

The following business was transacted:

The application of Columbian Carbon Company for permission to use residue gas from the Skelly Gasoline Plant, located in the Penrose Field, Lea County, New Mexico, was taken up for consideration, and the following resolution was adopted:

Inasmuch as the Columbian Carbon Company is using waste or residue gas from the Skelly Gasoline Plant, located in the Penrose Field, Lea County, New Mexico, for the purpose of manufacturing carbon black, and is paying and agrees to pay a reasonable price for said gas; and inasmuch as it is proposed to enlarge the Skelly Gasoline Plant and also the plant of Columbian Carbon Company now using gas from said Skelly Plant; and inasmuch as it appears that said gas is not being wasted, but is being used for the manufacture of a valuable commodity, and that a satisfactory price is being paid for said gas;

NOW, THEREFORE, the Oil Conservation Commission hereby grants the Columbian Carbon Company permission to use all the waste or residue gas now being or hereafter to be produced from the Skelly Gasoline Plant located in the Penrose Field, Lea County, New Mexico, up to 45,000,000 cubic feet of gas per day; and

BE IT FURTHER ORDERED that the restrictions contained in former orders, limiting such use to the period of the emergency, and limiting such use to such gas as can not be used for commercial or domestic sales and in repressuring projects, be and the same are hereby eliminated, and this order is entered without any restrictions of any nature.

There being no further business, the meeting adjourned.

OIL CONSERVATION COMMISSION

By _____
Member

Secretary.

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

IN THE MATTER OF THE APPLICATION OF) Case No. 295
CONTINENTAL CARBON COMPANY FOR AN) Extending
ORDER AND PERMIT TO EXTEND ITS PRESENT) Case No. 169
PERMIT AND INCREASE PERMISSIBLE USE OF) Order No. R-88
GAS IN THE MANUFACTURE OF CHANNEL CARBON)
BLACK)

SUPPLEMENTAL ORDER OF THE COMMISSION

BY THE COMMISSION:

This matter coming on for hearing upon the Supplemental Petition of Continental Carbon Company for an increase in permissible use of gas in the manufacture of channel carbon black in Lea County, New Mexico, of 20,000,000 cubic feet per day, and

Due notice of hearing upon said Supplemental Application having been published as provided by law fixing the 7th day of August, 1951, at Santa Fe, New Mexico, as the time and place for hearing thereon, and

The matter having come on for hearing and the Commission having heard testimony and evidence as to the need and necessity for the increase applied for, and

It appearing therefrom that channel carbon black is an essential commodity in the manufacture of tire casings and other rubber goods, as well as ink for use in the printing industry and various and sundry other uses, and that the demand is in excess of the supply, and, further, that channel carbon black is in short supply and recognized by government agencies to be a critical commodity, and

It further appearing to the Commission that there is residue gas being flared, which constitutes surface waste and which is suitable and sufficient for the additional needs and uses applied for and that the use of the same will result in the conservation of waste,

IT IS, THEREFORE, ORDERED that the order of this Commission dated January 24, 1949, in Case No. 169, granting applicant the right to use not to exceed 18,000,000 cubic feet per day, be and the same hereby is modified as follows:

1. That the permissible amount which Applicant, Continental Carbon Company, may use shall be increased to not exceed 38,000,000 cubic feet per day instead of 18,000,000 cubic feet, as originally granted;
2. That the right shall be extended and granted for such use for a period of fifteen (15) years from the date of this order, such period of time being recognized as necessary and desirable for the proper amortization of the investment required to be made by Applicant in the use, and

IT IS FURTHER ORDERED, that the original order of January 24, 1949, in all other respects remain unchanged and be considered as applicable to the entire use hereby granted to Applicant to the same extent and effect as if copied herein in full, and that this Order shall be merely supplemental of the original order.

DONE at Santa Fe, New Mexico this day of August, 1951.

**STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION**

EDWIN L. MEGHEM, Chairman

GUY SHEPARD, Member

R. R. SPURRIER, Secretary

SEAL

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 169
ORDER NO. 806

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, TOWNSHIP 21 SOUTH,
RANGE 37 EAST, N.M.P.M., LEA COUNTY,
NEW MEXICO, ADJACENT TO EXISTING CARBON
BLACK PLANT.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 10:00 o'clock A.M., January 6, 1949, at Santa Fe, New Mexico, before the Oil Conservation Commission of the State of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 24th day of January, 1949, the Commission having before it for consideration the testimony adduced at the hearing of said case and being fully advised in the premises:

FINDS:

1. That due public notice having been given as required by law, the Commission has jurisdiction of this case.
2. That evidence adduced at the hearing indicates that channel carbon black is a commodity used extensively in the manufacture of tire casings and other rubber products,
3. That the Continental Carbon Company is now the owner of a 2-unit carbon black plant located at Sunray, Texas, which it proposes to disassemble, move and re-erect on a location in Lot 15, Section 3, Township 21 South, Range 37 East, N.M.P.M., Lea County, New Mexico, adjacent to the present operating carbon black plant of Witco Carbon Company.
4. That the acquisition and subsequent use in the manufacture in New Mexico of carbon black of available residue or tail gas which is not otherwise put to beneficial use would result in the prevention of waste.

IT IS THEREFORE ORDERED:

1. That the Continental Carbon Company, the applicant herein be and it hereby is authorized and permitted for a period and term of ten years from the date hereof to acquire from any convenient source and use in the manufacture of carbon black in its plant to be located on a site in Lot 15, Section 3, Township 21 South, Range 37 East, N.M.P.M., Lea County, New Mexico, not to exceed eighteen million cubic feet per day of any available residue or tail gas not otherwise put to beneficial use or the end use of which would constitute physical or economic waste.

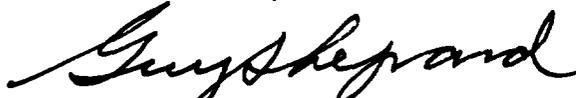
2. That applicant's request for the right and authority to acquire and use "gas well gas" as a supply supplement in its manufacturing business is hereby denied without prejudice.

3. That the Continental Carbon Company after operating experience shall have shown a reasonable necessity therefore, may apply for and after notice and hearing on the merits under the rules of the Commission, may be given temporary authority to acquire and use available "gas well gas" or "sweet" gas from an authorized transporter on a free market basis as a limited month end supplement to its regular residue or tail gas supply authorized hereinabove.

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, MEMBER


R. R. SPURRIER, SECRETARY