

CASE NO. 30

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

THE PETITION OF THE NEW MEXICO OIL AND GAS ASSOCIATION TO CONSIDER REVISION IN ITS EXISTING RULES AND REGULATIONS REQUIRING REPORTS TO BE FILED BY PRODUCERS, TRANSPORTERS, STORERS, AND REFINERS OF CRUDE PETROLEUM OIL AND NATURAL GAS AND THE PRODUCTS THEREOF.

TRANSCRIPT OF PROCEEDINGS IN THE HEARING
LA FONDA, SANTA FE, NEW MEXICO
SEPTEMBER 25, 1941

Pursuant to order of the Commission, duly made and entered, setting September 25, 1941, at two o'clock in the afternoon, for hearing in the above entitled matter, said hearing was convened at two o'clock, P. M., of September 25, 1941, at La Fonda, 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. ROGERS, COMMISSIONER of Public Lands, Member
HON. CARL B. LIVINGSTON, Chief Clerk and Legal Advisor

APPEARANCES:

Lloyd L. Gray	Gulf Oil Corp.	Tulsa, Okla.
Ira Van Tuyl	" " "	Hobbs, N.M.
D. R. McKeithan	Phillips Pet. Co.	Bartlesville, Okla.
C. A. Daniels	" " "	Amarillo, Tex.
K. F. Quail	Bassett & Birney	Artesia, N.M.
Martin Yates III	" " "	" " "
E. M. Perry	" " "	" " "
Roy Langston	Oil Conservation Com.	Artesia, N.M.
Roy Yarbrough	" " "	
Hugh L. Sawyers	N.M. Oil & Gas Assn.	Las Cruces, N.M.
Glenn Staley	Proration Office	Hobbs, N.M.
S. R. Saunders	Gulf Refining Co.	Tulsa, Okla.
W. H. Duly	Gulf Oil Corp.	Hobbs, N.M.
D. M. Hawkins	Phillips Pet. Co.	Odessa, Tex.
Don L. Dickason	Great Western Producers	Albuquerque, N.M.
R. C. <i>De Woody</i>	" " "	Lubbock, Tex.
William A. Sloan	" " "	Albuquerque, N.M.
O. D. Crites	Shell Oil Co.	Houston, Tex.
H. B. Hurley	Continental Oil Co.	Ft. Worth, Tex.
E. P. Keeler	" " "	Hobbs, N.M.
G. L. Tate	Magnolia Pet. Co.	Dallas, Tex.
S. P. Hannifin	" " "	Roswell, N.M.
Howard Jennings	" " "	" " "
H. J. Kenler	Shell Oil Co.	Midland, Tex.
G. H. Cord	Stanolind Oil & Gas Co.	Ft. Worth, Tex.
J. O. Seth	" " " " "	Santa Fe, N.M.
Edgar Kraus	Atlantic Rfg. Co.	Carlsbad, N.M.
A. E. Willig	The Texas Co.	Ft. Worth, Tex.

The hearing was called to order by Governor Miles, who requested Mr. Livingston to read the call of the hearing, as follows:

"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 public hearing to be held at the Capitol, Santa Fe, New Mexico:

Case No. 30

The petition of the New Mexico Oil and Gas Association to consider revision in its existing rules and regulations requiring reports to be filed by producers, transporters, storers, and refiners of crude petroleum oil and natural gas and the products thereof. This case is set for 2 o'clock P. M., September 25, 1941.

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 25, 1941.

Given under the seal of said Commission at Santa Fe, New Mexico, on August 26, 1941.

OIL CONSERVATION COMMISSION

BY (Sgd) John M. Kelly, Secretary."

BY MR. LIVINGSTON: The Commission is now ready to proceed upon case No. 30. If anyone has any witness to be sworn, bring forward the witness.

GUY L. TATE,

being presented as a witness before the Commission, and being first duly sworn, gave the following testimony:

DIRECT TESTIMONY

My name is G. L. Tate, Chairman of the New Mexico Oil and Gas Committee appointed by the President, Mr. Dexter, to draft a set of reporting forms and prepare a form of procedure in keeping with the conservation laws of the State of New Mexico. These forms were to be prepared, or drafted, in conjunction with representatives of the New Mexico Oil Conservation Commission, with representatives of Federal Tender Board No. 1, a board created for the enforcement of the Connelly Act, and to work with representatives of the

oil industry in general.

This Committee met in Santa Fe on July 24th and 25th, at which time a set of reporting forms were drafted. The Committee met again, here in Santa Fe, on September 24th and the morning of the 25th.

This Committee, in conjunction with the representatives above referred to, have drafted a set of reporting forms, which I propose to recommend to the Commission for adoption. The recommendation of these forms carries with it the recommendation that certain forms be eliminated.

There has been prepared, and is submitted, Producers Monthly Crude Petroleum Oil Report, which has a form number, N. M. 1, assigned to it merely for identification. This form is required to be made out monthly by each producer of an oil well in the State of New Mexico, covering the production for the current month of crude petroleum oil and other liquid hydrocarbon, produced at the well head by ordinary production methods.

I would like to submit this form as part of this evidence.

(Marked "Exhibit No. 1)

BY GOVERNOR MILES: May I ask a question? You said you would recommend that certain forms be eliminated. Is that certain forms now being used?

A Yes, sir.

BY GOVERNOR MILES: Is this one to be eliminated?

A No, that is the form to be adopted. I will explain one more form, and then recommend the form those two forms are to take the place of.

I have here oil Operators Monthly Report, which has a number, N.M. No. 7. This form has been prepared in conjunction with the Lea County Engineers Committee. The information to be reported is production by units, and other related data.

I would like to submit this form as part of this

evidence.

(Marked Exhibit No. 2)

It is recommended that these two forms, N. M.m1 and N. M. 7, be adopted, and that the requirements of Forms C-104 and C-104A be repealed.

The Committee has prepared a Transporters' and Storer's Monthly Report, Form N.M. No. 2, consisting of sheet 1, 1-a, 1-b, 1-c, and sheet 2. This report is to be required of all transporters and storers of crude petroleum oil and other liquid hydrocarbons handled or stored within the State of New Mexico.

I would like to submit this form as part of this evidence.

(Marked Exhibit No. 3)

The Committee has prepared a Monthly Gas Report, Form N. M. No. 3. This report is required of all initial takers of gas at the well head, except the producer who is required to report the disposition of his own gas, which he utilizes either as lease fuel, gas lift, etc., on Form N. M. No. 7.

As part of this evidence I would like to submit this form.

(Marked Exhibit No. 4)

It is recommended that Forms N. M. 2 and N. M. 3 be adopted, and that rules and regulations requiring the filing of C-107 be repealed.

BY MR. KELLY: These two are purchasers' forms to take the place of our present purchasers forms?

A Yes, sir.

The Committee has prepared Refiners' Monthly Report, Form N. M. No. 4, consisting of sheets 1, 1-a, 1-b and sheet 2.

This form, N. M. No. 4, is submitted as part of this testimony.

(Marked Exhibit No. 5)

The Committee has prepared a Gasoline and other Extraction

Plant Monthly Report, Form N. M. No. 5. This report is to be made out -- or be filed by operators of any extraction plant within the State of New Mexico. This report consists of sheet 1 and sheet 2.

This form, N. M. No. 5, is submitted as part of this testimony.

(Marked Exhibit No. 6)

The Committee has prepared, and submits herewith, a form headed "Certificate of Compliance and Authorization to Transport Oil", Form No. N. M. No. 6, and is submitted as part of this testimony.

(Marked Exhibit No. 7)

It is recommended that the Commission adopt Forms N. M. No. 5 and N. M. No. 6.

Each of these forms, except Form N. M. No. 7, has printed on the reverse side thereof instructions relative to the preparation and filing of the same.

It is further recommended that the Commission repeal the rules and regulations requiring the filing of C-106.

It is further recommended, for the purpose of conserving paper, therefore limiting the expenditure in the printing of these forms, that Forms N. M. No. 1, N. M. No. 2, N. M. No. 3, N. M. No. 4 and N. M. No. 5 be printed on legal size paper, 8½x14 inches, with the form running with the cut of the paper.

BY MR. KENLER:

Q Mr. Tate, you introduced yourself by saying you were the Chairman of a Committee that has been appointed to redesign forms now being used by the State of New Mexico. Would you mind giving the names of the other members of the Committee?

A I would be very glad to, sir. I have stated the name of the association in the beginning. The Committee, of which I am Chairman, was appointed by Mr. Dexter, President of the New Mexico Oil and Gas Association. The Committee consists of Mr. Glenn Staley, Mr. Van Welch, Mr. J. W. Emerson, Mr.

A. D. Wilbur and me. According to the minutes of the meeting in Santa Fe on July 24th and 25th, this Committee was in agreement with these forms.

Q One hundred per cent?

A According to the forms that were prepared and submitted, I assume one hundred per cent. They agreed on the forms, together with Mr. Kelly, who was in the meeting, and Mr. Livingston --

BY MR. KELLY: We were in the meeting as observers, Mr. Livingston and I, therefore I don't believe we should be included in any agreement, as it is the Commission's duty to accept the forms.

A I will change that, Mr. Kelly, to say that Mr. Kelly and Mr. Livingston, of the Oil Conservation Commission, sat in at these hearings and made suggestions and suggested changes in the tentative draft of the forms, and assisted in every way possible in order to cooperate and expedite the preparation of such forms. At these hearings on the 24th and 25th, it was the consensus of the opinion, according to the minutes, that in addition to Forms Nos. 105 and 106, inclusive, that there was a need for an engineering or an operating report. Mr. Staley agreed to prepare such a report. This report was submitted here as being one prepared by that engineering committee and put in evidence a few minutes ago.

Q Thank you very much. I wondered whether or not the officers of the organization which your committee represents, concurred in these recommendations.

BY GOVERNOR MILES: You gave certain names of men who are members of the committee of the New Mexico Oil and Gas Association. I would like to ask Mr. Leonard, of that Association, to state, if he has the information, what percentage of the oil producers and operators in New Mexico belong to that association.

BY MR. LEONARD: I could not tell you offhand.

BY MR. KELLY: Would it be a majority of the oil producers?

BY MR. LEONARD: Oh, yes.

BY MR. TATE: There has been a request by Mr. Kenler that an

officer of the association state whether or not they concur in these recommendations. Could you state that?

BY MR. LEONARD: I am not familiar with them. I would have to study them.

BY MR. TATE: Could you speak for the Association?

BY MR. LEONARD: I am just the Secretary. Your Committee was appointed by the President to draft the forms.

BY MR. TATE: Mr. Leonard, are there any other officers of the Association here?

BY MR. LEONARD: I don't know.

BY MR. TATE: I don't know them personally, and if they are here, I would like to call on them.

BY MR. LEONARD: Mr. Griffith is present.

BY MR. GRIFFITH: I have no statement to make with respect to the forms. I am not familiar with them.

BY MR. KELLY: Any further questions to be put to the witness?

BY MR. GAIL CARTER: Do any of the proposed changes have anything to do with the reports made to the Tax Commission or the Bureau of Revenue?

BY MR. TATE: They do not, sir.

Witness dismissed.

BY MR. SETH: I rather want to make a suggestion. Mr. Gray showed me one report, on C-104A, one in which there were 108 sheets on one monthly report, each one signed and sworn to by the officers of the company. These regulations should expressly authorize one affidavit, or certificate covering a report. It seems this is overworking the men who sign them and the notary public. One affidavit ought to cover one report.

With reference to the question asked Mr. Leonard, I am certain the committee was appointed merely to make recommendations to the Commission. We all know the Commission is familiar with local conditions and familiar with what it needs to enable it to function, and it will take these forms

and work out a report satisfactory to all concerned, and will certainly not impose any unnecessary report making on the producers, the refiners and the oil industry.

BY MR. TATE: Mr. Dan Parker, of Federal Tender Board No. 1, is here, and I would like to ask Mr. Parker as to his views on these forms, as to whether or not they are practical, or any other suggestion he might have.

BY MR. KELLY: We would be glad to hear from Mr. Parker.

BY MR. PARKER: The Federal Tender Board requires certain information from the operators in three states, including New Mexico, and this information is required on four separate report forms. Four of the forms just recommended by this committee are identical with forms now being required by the Federal Tender Board. Of course, in addition to the information the Federal Tender Board needs, the state needs certain engineering data, and that is covered by the other three forms recommended by the committee.

I have worked with the committee in drafting these forms, and I know it has been a lot of hard work. We feel they are practical and will give the desired information, and the Federal Tender Board is glad to join with the Committee in recommending they be adopted.

BY MR. KELLY: Would you mind answering one question. In New Mexico we operate on a unit basis. Will it be acceptable to the Federal Tender Board for these to be made on a unit basis if the leases are totaled on the forms?

BY MR. PARKER: Yes, sir.

BY MR. KELLY: Do you wish the leases to be totaled on the forms?

BY MR. PARKER: Yes, our reports are set up on a lease basis. If they are not totaled, when we copy them we would have to total them.

BY MR. KELLY: It will be acceptable for all reports from New Mexico to be on a unit basis with the lease total on them.

BY MR. GEORGE MANN: I have been instructed by my company to bring up the matter of the pressure of gas, the gas measurement

so that it will show in the record. All oil and gas contracts for purchase of gas at natural gasoline plants are bases on 13.2 plus four ounces. It is my understanding the reports to the State and to Federal Tender Board No. 1 will be based on 14.4 plus ten ounces. All my company is interested in is that the Commission and all authorities concerned fully understand there will be a discrepancy between the amount of gas shown on our official records in the Tulsa office and the amount of gas reported to the State of New Mexico and to Federal Tender Board No. 1, in that the gas volumes reported to the State of New Mexico and to Federal Tender Board No. 1 will run something between ten and fifteen per cent lower than our office records will show, by a purchaser. We can easily convert the figures in our office from 13.2 plus four to 14.4 plus ten ounces -- it will impose no additional hardship in making the reports, but we want all authorities to understand, in case an audit is made, that our records will show a larger amount than we have shown on the reports because of the difference of the pressure basis on which we purchase gas by contract and the pressure basis on which we report.

BY MR. KELLY: If we accept the basis of 14.4 plus ten ounces, the gas volumes reported to the Commission will be smaller in amount than that shown in your office, because of the fact that your basis, on contracts, is 13.2 plus four ounces. That statement is made in the record, so there will be no confusion in the pay-off.

BY MR. MANN: I have talked with Mr. Parker, of Federal Tender Board No. 1 and received instructions which will prevent a misunderstanding between our company and the Federal Tender Board.

BY MR. TATE: Mr. Kelly, your question to Mr. Parker has prompted me to make a further explanation of two forms. N. M. No. 1, as prepared and submitted, is to be on a lease basis. N. M. No. 7 is to be on a unit basis

BY MR. KELLY: N. M. No. 1 is the form which conforms to the requirements of the Federal Tender Board?

BY MR. TATE: On a lease basis. As a matter of cooperation, they would accept this on a unit basis if the lease totals were shown. That N. M. No. 1 was changed this morning in the committee meeting to be submitted on a lease basis, which would conform exactly with the Federal Government requirements, and then we prepared another form, N. M. No. 7, to be submitted on a unit basis. The Federal Government will not get this type of report, because it has the information needed, but the Commission will need that in the allocation of oil in the respective units. Proration in New Mexico is on a unit basis, and the Federal Government should be able to check on a unit basis.

BY MR. KELLY: Any other explanation of any of those forms?

BY MR. TATE: Just one, I believe. The monthly gas form is a purchase gas form. The way it will work, in most instances -- it will be noted that a purchaser is any person taking gas if he has to cross a lease line with the gas?

BY MR. KELLY: That is right.

BY MR. TATE: I would still like to make another statement. It will be noted in the forms submitted there has been some changes to make them conform with the changes and reports in the instructions and on the face of the form. That is true with reference to N. M. No. 1 and N. M. No. 3, I believe. Those are the only ones.

BY MR. BULLOCK: The statement made by Mr. Mann a few minutes ago on this pressure basis, is that to be for all gasoline plants that do due to the fact that gasoline plants are on a 13.2 pressure basis, or rather gasoline or dry gas, that would be the pressure base in New Mexico?

BY MR. KELLY: Oh, I believe Mr. Mann's statement was not only for his company, but for all plants on the same basis.

BY MR. TATE: Where volumes are to be reported in any of those forms, the instructions require it be reported on a 14.4 plus

ten ounce basis.

BY MR. KELLY: Any further comments?

If there are no further comments, the Commission will take the forms under advisement.

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C E R T I F I C A T E

I hereby certify that the foregoing and attached ten pages of typewritten matter are a true, correct and complete transcript of the shorthand notes taken by me in Case No. 30, before the Oil Conservation Commission of New Mexico on the 25th day of September, 1941, and by me extended into typewriting.

Witness my hand this 27th day of September, 1941.

Luther Barton