

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE PERMIT TO CHARLES)
ENEU JOHNSON AND COMPANY OF MAY 25,)
1945 FOR THE USE OF FORTY MILLION) No.
CUBIC FEET OF NATURAL GAS PER DAY IN THE)
MANUFACTURE OF CARBON BLACK IN ITS)
PROPOSED PLANT NEAR EUNICE, NEW MEXICO.)

P E T I T I O N

Comes now the above named Charles Eneu Johnson and Company and respectfully shows the Commission:

1. That it is a corporation duly organized and existing under and by virtue of the laws of the State of Pennsylvania and duly qualified to engage in business in the State of New Mexico.

2. That heretofore on May 25, 1945, there was issued to your petitioner by the Oil Conservation Commission of New Mexico a permit which is in the following words, as far as material:

"The Commission hereby grants Charles Eneu Johnson and Company its permission to use up to 40,000,000 cubic feet per day of natural gas to be obtained from the Lea County Water Company's Compressor station in Lea County, New Mexico, for the period of the duration of the emergency in the production of automobile and truck tires and other rubber products.

This permit is granted effective this date under the authority of Sections 2 and 9 of the Oil and Gas Conservation Laws of the State of New Mexico."

3. That prior to the granting of the foregoing permit there had been entered by this Commission in case #59 its order #589, the material portion of which is in words and figures as follows, to-wit:

"SECTION 1. That the limiting gas-oil ratio for the South Eunice Field provided for in the Lea County Gas-Oil Ratio Order No. 545, Section 2 (a), shall be suspended by the Commission and said field shall be placed in Section 2 (b) of said order for the express purpose of the use of gas from said field for the manufacture of carbon black."

4. That the permit to petitioner in paragraph 2 above quoted was issued to it upon its petition representing that under an agreement with the Defense Plant Corporation it proposed to erect for, and at the expense of said Corporation, a carbon black plant to be located just west of the Texas and New Mexico Railway approximately $8\frac{1}{2}$ miles south of Eunice, New Mexico, in Sections 17, 18, 19 and 20, Township 23 South, Range 37 East, in Lea County, New Mexico. That said plant, as planned, consists of: 6 units of 40 burning houses each, each unit having a capacity of 7 million cubic feet of gas per day, a gas treating plant located in the oil field, cooling system, compressor plant, the pipeline connecting the gas treating plant with the main plant and the necessary dwelling facilities for employees.

5. That thereafter construction of said proposed plant was duly commenced and though the same has been partially completed at a cost of approximately \$2,500,000 the same is not, as it now stands, in a condition to be used for its intended purpose.

6. That thereafter at some time subsequent to the cessation of hostilities between the United States and Japan, the said defense Plant Corporation decided to discontinue the construction of said plant as a government enterprise and as a consequence of said decision and pending the outcome of the negotiations between petitioner and the Reconstruction Finance Corporation, hereinafter referred to, the said plant has, to the date hereof, not been completed or put in operation.

7. That as appears from the permit issued to it by this Commission, petitioner proposed to obtain the natural gas to be used in the said carbon black plant from the Lea County Water Company's compressor station in Lea County, New Mexico, but, as your petitioner is reliably informed and believes, the latter company has disposed of its said compressor station and gathering lines and is no longer in a position to furnish to petitioner the gas referred to.

8. That by reason of the circumstances disclosed in the next preceding paragraph your petitioner has secured options from operators in the South Eunice field owning approximately ninety per cent of the gas produced therefrom, for contracts to purchase the requisite amount of gas for the operation of the carbon black plant here involved, said contracts to be for a term of ten (10) years.

9. That petitioner has further entered into negotiations with the Reconstruction Finance Corporation for the purchase of the partially completed plant, erected as hereinabove set forth, and that said negotiations have progressed to the point where final consummation of the proposed purchase is dependent solely on the favorable action of this Commission on this petition.

10. That as appears from this Commission's Order #589 hereinabove in paragraph 3 referred to, said order was entered for the express purpose of providing for the use of gas from the South Eunice field in the manufacture of carbon black and that as appears therefrom, said order was to become operative

"When a carbon black plant, having obtained permit from the commission to use gas from said field for the manufacture of carbon black, has notified the Commission in writing that its facilities are ready for such use and the Commission notified the Pro-
ration Office of no limiting gas-oil ratio for the purpose herein provided for."

11. As further appears from said order it was to endure for the duration of the war and six months thereafter; that though hostilities between the United States and other nations have ceased, the war has not yet officially been declared at an end.

12. That as appears from said order and from the permit issued to petitioner, there is a lack of uniformity in the provisions thereof relative to the duration of the term of each in that said order was to endure for the duration of the war and 6 months thereafter and said permit was to endure for the emergency in the production of

automobile and truck tires and other rubber products.

13. That the demand for carbon black in the manufacture of the products referred to has increased beyond the ability of the industry and the government to meet the same and that at the present time there exists a severe shortage thereof. That the demand for rubber tires is increasing and will continue to increase and that the present shortage in carbon black will materially interfere with the increased production required.

14. That by reason of all of the circumstances above set forth and in order to justify the proposed purchase and completion by petitioner of said plant and to justify the exercise by it of its options for the purchase of the gas requisite to the operation thereof, it is essential that the provisions of the permit granted by this Commission to petitioner and of this Commission's order #589 (case #59) relative to the duration of each, should be made to conform and that the term of each be extended for a sufficient period to enable petitioner to amortize and recover on its investment. That it is anticipated by petitioner that in addition to the initial cost of purchasing the partially completed plant from the Reconstruction Finance Corporation, the completion thereof will entail an expenditure of approximately \$1,600,000.00, and that in order to enable petitioner to amortize, recover its investment and conduct a successful operation, a minimum term of ten (10) years is essential.

15. Petitioner further respectfully represents that the use of the gas herein involved for the manufacture of carbon black will be a constructive use of gas which, it is informed and believes, would otherwise be wasted or might otherwise be piped out of the State of New Mexico with little advantage to the state or its people; that payments for the gas, if used by petitioner as proposed, will increase royalty payments to the state of New Mexico; that not only will the gas so used be serving to fill a great need in providing carbon black for the national rubber program but it will be serving to establish an industry in the State of New Mexico which otherwise

could not be established, with consequent employment of labor and other benefits; that it will prevent the nearly \$2,500,000.00 already spent by the Federal Government from being wasted and will result in the additional expenditure within the State of New Mexico of the amount required to complete the plant; that it will result in substantially increasing the tax revenues of Lea County and the State of New Mexico and will result in a step forward in the industrial enterprise and progress of the State of New Mexico.

WHEREFORE, petitioner respectfully prays that there be issued to it a permit, in lieu of or as supplemental to and amendatory of the permit issued to it by this Commission on May 25, 1945, to use up to 42 million cubic feet of natural gas per day from the South Eunice field in Lea County, New Mexico, for the manufacture of carbon black in the plant hereinabove referred to, said permit to continue in effect for a term of ten (10) years from the date of the issuance thereof. Petitioner further prays that this Commission's Order #589 in case 59 be amended with respect to the term thereof so as to have it conform with the term of the permit hereinabove applied for. Petitioner further prays that an early date for hearing hereon be fixed by this Commission and that such notice of said hearing as may be required by law be given forthwith.

CHARLES ENEU JOHNSON AND COMPANY
By *W. L. Johnson*
Its Attorney.