

**PUBCO DEVELOPMENT, INC.**

**BOX 1360**

**ALBUQUERQUE, NEW MEXICO**

July 7, 1954

Re: Written Summation of Pubco  
Evidence, Hearing Nos. 330  
and 330-A

Oil Conservation Commission of the  
State of New Mexico  
Capitol Building  
Santa Fe, New Mexico

Gentlemen:

Enclosed herewith please find original and two (2)  
copies of written summation of evidence offered by Pubco at  
the gas proration hearing June 21st and 22nd.

Yours very truly,



D. W. REEVES  
President

DWR/h  
Encls

Statement by the Gulf Oil Corporation  
to the New Mexico Oil Conservation  
Commission at Santa Fe, New Mexico  
May 19, 1954

As this is written the latest Industry crude oil stock figures released by the Bureau of Mines are as of May 1, 1954, a total of 274,003,000 barrels. This is the highest level so far this year. It is an increase of 12,069,000 barrels over the low level of this year (March 6, 1954) when stocks were 261,934,000 barrels, an inventory which was considered satisfactory.

This build up of 12,069,000 barrels in stocks has taken place within the last eight weeks. It seems significant that this has been a constant build up, except for one week. The actual figures are:

<u>Weeks Ending</u>	<u>Total</u>	<u>Increase (Decrease)</u>
3/6/54	261,934,000	
3/13/54	263,174,000	1,240,000
3/20/54	263,898,000	724,000
3/27/54	266,942,000	3,044,000
4/3/54	268,547,000	1,605,000
4/10/54	269,236,000	689,000
4/17/54	268,196,000	(1,040,000)
4/24/54	269,647,000	1,451,000
5/1/54	274,003,000	4,356,000
Total		<u>12,069,000</u>

We feel that present crude stocks are not yet unwieldy or burdensome, but we do feel that they are too high. It should be recalled that a year ago (May 2, 1953) at which time stocks were reported to be 279,569,000 barrels, or some 5,500,000 higher than current stocks, they continued to increase throughout late spring, summer and early fall, to the excessive level of 287,831,000 barrels on October 17, 1953.

Subsequent action by some of the regulatory bodies had the effect of reducing allowable production and a fairly constant decrease in crude stocks began, ending up with the previously cited figure of 261,934,000 barrels as of March 6, 1954.

While the current level of crude stocks does not present too great an immediate problem, a continuation of the last eight week build up would soon require a rather severe cut-back in crude production in order to bring supply and demand into proper balance.

The industry's real problem is the excessive gasoline stocks now nearly 176,000,000 barrels and 13% higher than on May 1 last year. The only solution to this inventory situation appears to be a continuation of the

recent reduction in crude runs to stills. As a minimum, this calls for bringing crude production into line with refinery runs.

The attached chart graphically illustrates these opposing trends -- increasing production, decreased runs to stills and the resultant build up in stocks of crude oil.

It is our feeling that an immediate effort should be made to bring crude stocks back to a more satisfactory level than they are now, say to 265,000,000 barrels.

In New Mexico, and in several other states, for the past several months allowables have been set materially in excess of purchaser's nominations. For instance, in New Mexico purchasers' nominations for May amounted to approximately 162,000 B/D. Against this the allowable production has been set at 235,000 B/D, including allowance of 10,000 B/D for new completions. It is to be expected that actual production will fall short of allowable, but it seems conservative to estimate that actual production will amount to approximately 200,000 B/D, something more than 20% above what the purchasers nominated.

Gulf's own situation closely parallels that of industry as a whole. We had available some empty storage capacity, and to aid other operators we made a number of spot purchases of crude, which combined with our current runs, have resulted in an increase in our stocks, which now stand a bit high, although not yet too burdensome. However, continuance of such spot purchases along with current crude runs under present allowables, would soon make our own stocks unwieldy and, for the immediate future at least, we will not be in a position to make further spot purchases. It almost necessarily follows that, if allowables are continued at present levels, the operators from whom we had been buying will be long on crude and will find it difficult, if not impossible, to hold their excess oil in storage.

Gulf's nomination in New Mexico for May was 12,000 B/D. Indications are that, under the allowables that have been set, our actual purchases will be about 13,500 B/D. We have no current need for anything beyond the 12,000 B/D we nominated for May and we need no more than this for June; therefore, we have reiterated the 12,000 B/D nomination. This really represents the amount of oil we want to buy.

**Presented by:**

R. P. Huggins, Vice President  
Gulf Oil Corporation  
Crude Oil and Products Supply Dept.

MILLION BBLs DAILY

MILLION BARRELS

