

THE RAILROAD COMMISSION OF TEXAS

EMERGENCY HEARING

SOUTH LUEDERS (KING SAND), SOUTH
LUEDERS (BLUFF CREEK), AND SOUTH
LUEDERS (COOK LIME) FIELDS, JONES
COUNTY

Austin, Texas,
April 30, 1956.

TRANSCRIPT OF TESTIMONY

H. Ray Pardue
Official Reporter.

RAILROAD COMMISSION OF TEXAS

OIL AND GAS DIVISION

OIL AND GAS DOCKET

NO. 125 #7-33,225

IN RE: CONSERVATION AND PREVENTION OF WASTE OF CRUDE PETROLEUM AND NATURAL GAS IN SOUTH LUEDERS (KING SAND), SOUTH LUEDERS (BLUFF CREEK), AND SOUTH LUEDERS (COOK LIME) FIELDS, JONES COUNTY, T E X A S.

HEARING HELD IN AUSTIN, TEXAS, ON APRIL 30, 1956.

B-E-F-O-R-E

MR. ARTHUR H. BARBECK, CHIEF ENGINEER

MR. FRED H. YOUNG, LEGAL EXAMINER

APPEARANCES

<u>NAME</u>	<u>REPRESENTING</u>
MR. JAMES H. HART MR. W. P. CARR	W. P. CARR, ET AL
MR. E. C. RACH	THE TEXAS COMPANY
MR. R. C. MCGINNIS	HUMBLE OIL & REFINING COMPANY

MR. BARBECK: This is Oil and Gas Docket No. 125 #7-33,225, emergency hearing on the application of W. P. Carr, et al, pertaining to reduction in number of producing days for South Lueders (King Sand), South

Lueders (Bluff Creek), and South Lueders (Cook Lime) Fields, Jones County, Texas. This hearing specifically is for the purpose of determining whether or not the number of producing days for these three fields should be reduced to twelve days, beginning May 1. Mr. Hart, will you proceed?

MR. HART: Yes, sir. The appearances are James P. Hart and W. P. Carr, for W. P. Carr, et al, and I would like to have Mr. Carr sworn as a witness.

(WHEREUPON, MR. CARR WAS DULY SWORN.)

W. P. C A R R was thereupon called as a witness, and testified as follows:

EXAMINATION

BY MR. HART:

Q Your name is W. P. Carr?

A Yes, sir.

Q And you are the Applicant in this hearing?

A Yes, sir.

Q Mr. Carr, the application that was made pertained to the South Lueders (Bluff Creek) and South Lueders (Cook Lime) Fields, as well as the South Lueders (King Sand) Field. As to the first two fields, have you decided that you would waive your application and, if so, tell the Examiner why.

A Yes, sir. It appeared that in the Cook Lime Field there is one marginal well which wouldn't be subject to shut-down anyway, and the Bluff Creek Field consists of only one well which is not

marginal, and it is our well, so there's -- so we only wanted to talk about the King Sand part of it.

MR. BARBECK: The schedule shows you have two wells in the Bluff Creek.

A No, one of those wells has been deepened to the King Sand and is not producing any longer in the Bluff Creek.

MR. BARBECK: Which one is that now?

A I believe it's No. 6.

MR. BARBECK: Then you are withdrawing your request for the Bluff Creek and the Cook Lime?

A Yes, sir.

(WHEREUPON, MR. E. C. RACH ENTERED HIS APPEARANCE FOR THE TEXAS COMPANY.)

MR. HART: Mr. Rach, I just started and had Mr. Carr, who is the Applicant here, identify himself and then state that he is withdrawing his application insofar as the Cook Lime and Bluff Creek Fields are concerned, but he will urge it as to the King Sand.

MR. RACH: Mr. Carr is withdrawing so far as the Cook Lime and Bluff Creek are concerned?

MR. HART: Yes, sir.

Q (By Mr. Hart) Now, Mr. Carr, with reference to the South Lueders (King Sand) Field, you and your associates are producers in that field, is that correct?

A Yes, sir.

Q Is The Texas Company the only other producer?

A That's right.

Q Have you made up a tabulation of the number of wells in that field and the daily allowable and certain other information with regard to that field?

A Yes, sir.

MR. HART: We would like to have this tabulation marked as Applicant's Exhibit No. 1, and then I will ask some questions about it.

MR. BARBECK: It shall be so identified.

Q (By Mr. Hart) Mr. Carr, referring to this Exhibit 1, you have first on this exhibit listed the different leases with the producing company first and then the name of the leases, I suppose that's what that is?

A Yes, sir.

Q And then the number of wells and the daily allowable and then you show the total daily allowable for all wells on each lease?

A Yes, sir.

Q Take first the Carr-Monson lease; that shows 6 wells with a daily allowable of 45 barrels per day, a total of 270 barrels, and then you have in parentheses February allowable, 4320 barrels; February runs, 4299?

A Yes, sir.

Q What was the reason for that?

A Well, I had been advised that this Cities Service cut was based on February runs, and I didn't know whether it was runs or allowable. I took it to be based on pipeline runs for February.

MR. RACH: Off the record ---

(Off-record Discussion)

Q (By Mr. Hart) Now, as to the next three leases, were the runs the same as the allowable? Is that the reason ---

A Well, I don't have anything -- didn't have any run figures on The Texas Company leases.

Q Oh, I see. All right, now, the next is the Carr, et al - Claude Wills lease; would you explain the information under that lease there? That shows one well at 15 barrels marginal?

A Yes, sir, that's the way it's set up on the schedule. The well makes a lot of salt water and has been exempted by Cities Service from their cut in that take because we would just about lose the well if we had to shut it down for any period of time.

MR. BARBECK: Well, it's classified marginal anyway.

A Yes, sir.

Q (By Mr. Hart) What about the next lease, the Carr, et al - Wills lease? That shows a difference between the allowable and the run, does it not, a small amount?

A Yes, sir. Their February allowable, I don't know what it was offhand. The wells won't make the allowable anyway, and they actually ran 352 barrels of oil in February.

Q Mr. Carr, what Company gathers the oil that is produced in this field?

A The Humble Pipeline Company gathers all this oil.

Q Who buys the oil that is produced from the Carr leases?

A The Cities Service buys all our crude there.

Q What is your information about who buys or takes the oil from The Texas Company leases?

A The Humble delivers that oil or trades it some way with The Texas Company, and The Texas Company pays the royalty on it, while they -- I guess they would be technically the purchaser. I'm not sure about it.

Q At the time we filed the application in this case, I stated in a letter to the Railroad Commission that the Humble bought the oil from The Texas Company but, according to your later information, that is a mistake, is that right?

A Yes, sir.

Q Your information that you've given about who takes the oil came from The Texas Company?

A And from the Humble.

Q And the Humble?

A Yes, sir.

MR. BARBECK: Who purchases The Texas Company oil?

A The Humble takes their oil and it is delivered to them or swapped to them some way on it, and --

MR. BARBECK: To who?

A To The Texas Company. The Texas Company does pay the royalty under their leases which they operate.

Q (By Mr. Hart) Has the Cities Service Company reduced the amount of oil that it will take from this field that we're talking about now?

A Yes, sir. In April they took 60% of those February run figures

except on this Claude Wills lease. I read last night in the Sunday paper where they are going to take 80% in May.

Q Well, during April they actually took only 60%?

A That's correct.

Q Well, now, what would that mean as far as the production from the Carr leases is concerned, about how much less than the allowable that was actually produced on those leases? Could you figure out the amount of production reduced below the allowable production?

A Well, it would -- our production would have been 60%. Well, actually, the production would have been more than the runs because we continued to produce until what tank room we had there was filled and then we had to shut the wells in.

Q Well, did The Texas Company go ahead and produce all its allowable?

A I assume they did, yes, sir.

Q As far as you were informed, there wasn't any similar reduction in take in this field with regard to the wells in which The Texas Company was producing?

A No, sir, none whatever.

Q Well, in your opinion, what was the result of the curtailment of the production on the Carr leases and the full production on The Texas Company leases with regard to whether there was any loss in reserve from the Carr leases?

A Well, it is my opinion that we lost the proportionate part of the reserves under that lease, reduction in that allowable that

was imposed by the Pipeline Company.

Q Now, your information is that instead of taking 60%, as they did in April, that the Cities Service will take 80% during May?

A That's what this article in The Dallas News stated.

Q Do you believe that to be correct, and are you assuming it to be correct?

A I would assume it is correct, yes, sir.

Q And in the calculations you have made on the bottom of this tabulation here, you have assumed they will take 80% instead of 60%, is that correct?

A Yes, sir.

Q All right, sir, now, you show here at the bottom of this tabulation total February runs subject to Cities Service cut, 4651 barrels.

A Yes, sir, that was the total of the runs on that month on the Wills lease in February.

Q So that would make a cut for May of how much? How many barrels?

A 930 barrels.

Q That would make a take for May of 80% of 4651, or 3721 barrels?

A Yes, sir.

Q Now, if there were a ratable reduction in the allowable in this field so that both producers here would reduce on the same ratable basis, what would the number of producing days for this field be, assuming that the Cities Service will reduce its take by only 80% in May, instead of 60% as in April?

A Well, if we had 13 producing days, that would substantially take

the production from our leases.

Q In other words, The Texas Company would -- would be able to sell to Cities Service what they will take and then the surplus above that you would produce could be sold to The Texas Company to make up ---

A No, sir, that would not give but a small surplus, looks like about 70 barrels there of production above what 80% of the February runs would give to the Cities Service. I talked to The Texas Company about this thing and they had indicated that they would just be opposed to doing anything about it whatsoever, and I assume from that that they wouldn't want to purchase any of the excess production from the Cities Service.

Q Well, I misunderstood you, then. If Cities Service takes 80% of the February runs, then, in order for your leases to produce substantially 80% of the February runs the producing days should be reduced to 13 producing days, is that correct?

A Yes, sir.

Q Now, if The Texas Company would take some excess above the 80% from your leases, then how many producing days could be set?

A I think about 15, Mr. Hart, would give about the amount of oil that The Texas Company leases would produce at 16 days and still give the amount of oil that the Cities Service has indicated that they will buy there.

Q I would like to be sure that I understand you. If the Railroad Commission -- I'll see if I can restate it ---

MR. RACH: Let me see if I can get that ---

- Q (By Mr. Hart) If The Texas Company wants to buy an amount which would be equivalent to your total that would be produced in 16 days?
- A Yes, what would be equivalent to what would be produced in 16 days on their leases.
- Q On their leases?
- A Yes, sir.
- Q Then, that could be done by having 15 producing days or 80% of your February runs would go to the Cities Service and then the excess above that would go to The Texas Company to make up what would be the runs for 16 days from their wells; is that right?
- A Yes, sir, that's correct.
- Q Is there anything further you would like to add, Mr. Carr?
- A No.

MR. HART: I pass the witness.

EXAMINATION

BY MR. RACH:

- Q Mr. Carr, is there any waste being committed in this field?
- A Is there any waste being ---
- Q Avoidable waste, the way it is operating now?
- A The way the field is operating now?
- Q With The Texas Company leases producing whatever number of days the Commission assigned, and your leases producing a lesser number of days?
- A Yes, sir.
- Q How
- A I don't know how you could dispose of any oil on top of the

ground without having it subject to waste.

Q Well, so far as I know, The Texas Company oil is being disposed of and your oil on a lesser number of days is being disposed of, so there is no waste being committed, is there?

A Well, I don't think that we would want forever to see the production continue on that kind of basis. We would be forced to take some steps to try to do something with the oil that should go to our leases.

Q Isn't this a temporary measure?

A Sir?

Q Isn't this a temporary measure?

A We hope so, yes, sir.

Q But, then, you haven't answered my question about waste. There is no waste being committed in this field under its present method of operation?

A Well, I think there would be.

Q How?

A Due to the fact that I don't see how you could store the oil without having some waste.

Q Who is storing the oil?

A I think we will have to, if we can't get some relief. We didn't store any except in our tanks on the lease in April. During that period of time, we completely filled our storage and have substantial underproduction, too.

Q How much storage does that amount to?

A I think we've got about either 12 or 1400 barrels of storage on

that lease.

Q With that oil already in storage, there is no way for waste to occur in the field under its present method of proration?

A With what oil already in storage?

Q You've got 12 or 1400 barrels already in storage?

A Yes, sir.

Q With that storage, there is no waste being committed in the field, is there?

A There will have to be more storage provided from some source.

Q But I'm talking about the present operation. I'm not talking about any possible future operation. Under the present method of operation, is there any waste occurring in the field?

A If there is no waste committed from the storage being full, then there is none.

Q With this 12 or 1400 barrels?

A That's right.

MR. RACH: That's all.

Q (By Mr. Hart) Mr. Carr, for the purpose of the record, the reason the Cities Service gives for not taking all of the allowable is that there is a strike in the Cities Service refinery?

A At Chicago, I understand.

Q And that is the reason they are not taking all of this oil, is that correct?

A That's correct.

Q Now, your position is that if there is not a reduction in the number of producing days, that you will either have to produce

more oil than you can sell and store it above ground, or allow all your reserves to be drained away by The Texas Company and other producers which can sell all of theirs?

A That is correct.

Q And if The Texas Company will not take some of your oil, then the 13 producing days is the number of days that will permit you to produce all of the Cities Service -- all the Cities Service Company will take?

A Yes, sir, and The Texas Company has indicated that they don't wish to take any oil.

MR. RACH: Mr. Examiner, The Texas Company is not a purchaser in this field. I am trying to find out whether you are talking about The Texas Company taking the oil.

A Well, I don't know who the purchaser is. The Texas Company, I wrote them a letter, Mr. Rach, and asked their Pipeline Department if they would be interested in purchasing this excess oil, and they wrote back that they were not a purchaser which is in Jones County, which is why I informed Mr. Hart that the Humble was the purchaser, and I found out later on the Humble is not the purchaser either. The Texas Company does pay the royalty under their leases. I don't know technically who is the purchaser.

MR. RACH: I was trying to clear that point up, because you kept saying The Texas Company would take more oil, when The Texas Company is not the purchaser. They are not taking any oil.

A Well, they are taking their own oil, the royalty owners' oil, and they are paying royalty under their leases.

MR. RACH: But not necessarily The Texas Company is purchasing that oil.

A I don't know who purchases the oil. I know who pays the royalty owners, and that's all.

Q (By Mr. Hart) Well, Mr. Carr, have you diligently tried to find out from The Texas Company who purchases the oil?

A No.

Q Well, you have asked them, haven't you?

A Yes.

Q And you've told the Examiner here what information you were able to get from The Texas Company?

A Yes, sir.

MR. HART: Well, if Mr. Rach, who represents The Texas Company, can tell us who the purchaser is, we would be glad to know and have it in the record.

MR. RACH: Cities Service was purchasing the oil from The Texas Company.

A The Cities Service has never paid any royalty under The Texas Company leases.

MR. RACH: The Texas Company pays their own royalty.

A As I say, I don't know who the purchaser is.

MR. RACH: That's not unusual.

A I'm sure that's right.

MR. HART: Well, if The Texas Company and Cities

Service Company is applying the same fraction to other producers as well as to Carr, then, of course, there should be no objection on the part of The Texas Company to 80%.

MR. BARBECK: Can you find out, Mr. Rach, who purchases The Texas Company's oil?

MR. RACH: The Texas Company has found a purchaser for its own oil, and who that purchaser is, I do not know. I think it's the Humble.

MR. MC GINNIS: If the Examiner please, I have a telegram in regard to that, a copy of which I imagine you have before you. I was instructed by the Humble Company to read it into the record, if I may.

MR. BARBECK: You may.

MR. MC GINNIS: "You have scheduled an emergency hearing for 2:00 P.M., April 30, on application of W. P. Carr, et al, to determine whether number of producing days for Lueders South (King Sand), (Bluff Creek) and (Cook Lime) Fields, Jones County, should be reduced to 12. We understand that it has been asserted that Humble Oil & Refining Company is a purchaser of oil in these fields. This is to advise that Humble Oil & Refining Company is not a purchaser of oil in these fields and cannot use any additional quantities of this grade of crude oil." Signed by H. P. Pressler, Humble Oil & Refining Company.

MR. RACH: That's not the Humble Pipeline Company, that's the Humble Oil & Refining Company.

MR. MC GINNIS: Humble Oil & Refining Company.

MR. BARBECK: Does the Humble Pipeline Company purchase in this field?

MR. MC GINNIS: Mr. Barbeck, I was not notified of this hearing until a short while ago. I would like to be able to answer that, but I will state that I assume not, from this telegram.

A I can tell you what Mr. Haynes told me. I called him ---

MR. BARBECK: Who is he?

A He is with the Humble Pipeline Company in Houston. He said that they did not purchase, that they delivered oil to The Texas Company from their system.

MR. MC GINNIS: I will be glad to try to obtain that information that the Commission wants along that line.

MR. BARBECK: Well, I think the proper thing to do here, Mr. Rach, since you represent The Texas Company, is to ascertain ---

MR. RACH: I have a statement to make on behalf of The Texas Company, which may clear this matter up.

MR. BARBECK: All right.

MR. RACH: If everybody is finished. I'm not testifying. This is in the form of a statement.

MR. BARBECK: Go ahead with your statement, Mr. Rach, because I may want to ask you something about the statement.

MR. RACH: The Texas Company has producing wells in each of the three fields covered by this application. How-

ever, I note that two of them have been withdrawn, but The Texas Company does have producing wells in the one remaining. The problem was brought about by the Cities Service refinery strike in Chicago. The Humble Pipeline Company purchases all of the oil in these fields. Apparently, Humble Pipeline Company in turn sells the oil to Cities Service for transmission to its Chicago refinery. That is our impression, Mr. Examiner.

MR. HART: Would you mind reading that last sentence again?

MR. RACH: Apparently, Humble Pipeline Company in turn sells the oil to Cities Service for transmission to its Chicago refinery. Cities Service has reduced their purchases by 40%. This has required Humble to reduce runs from these fields by 40%, unless other arrangements can be made for sale of the oil. The Texas Company was fortunate enough to make arrangements with the Humble Pipeline Company, and as a result our runs from the field have not been reduced.

Apparently, Mr. Carr has not been successful in locating an outlet for that oil over and above the 60% which Humble has continued to take for sales to Cities Service. The Texas Company feels that the problem involved is one of the individual operator finding an outlet for the oil produced from his properties.

In view of this, we believe the operator who locates

the outlets for his oil should not be prevented from maintaining production from his leases at the rate which would normally be set for those leases by the Railroad Commission.

We, therefore, are urging that the Commission view this as a problem of the operators in obtaining outlets and not as a conservation problem for which special rules should be issued.

Now, this is corollary information that does not may-be particularly apply to this field: The Crude Oil Purchasing Department of The Texas Company has committed itself to take a portion of the oil in Texas and other States which would normally be purchased by Cities Service. This has resulted in overburdening our storage and refining capacities. Therefore, we find it impractical to purchase any additional oil at this time.

That, I put in to show why The Texas Company is unable to purchase any additional oil.

MR. BARBECK: Are you going to file this letter?

MR. RACH: No. So we, therefore, oppose any reduction in shut-down days for this field, or any increase in shut-down days.

MR. MC GINNIS: Since the question has been raised as to whether or not Humble Pipeline Company instead of Humble Oil & Refining Company may or may not be the purchaser of oil in this field, if the Examiner would permit,

I will attempt to find out in the next ten minutes information on that question and submit it here.

MR. BARBECK: We will take a recess.

MR. YOUNG: Could you find out not only whether they do not purchase it, but who does purchase it?

MR. MC GINNIS: I will find out what I can.

(WHEREUPON, A RECESS WAS TAKEN.)

MR. RACH: The first information showed that Humble Pipeline Company purchased the oil, and in checking through the records and so forth, apparently Humble Pipeline Company takes the oil at the field and runs it to Moran, where it is then put into The Texas Company pipeline. So, the best we can figure out is that the Humble has probably paid a delivery charge or service charge and apparently The Texas Company is actually taking its own oil, but the Humble Pipeline takes it at its well and runs it to the Moran station before it ever enters The Texas Company pipeline. Now, whether there is any exchange of money other than a delivery charge, we are unable to find out in the Fort Worth office. Originally, the report showed the Humble as the purchaser because they ran the oil from the lease, but after checking further into it, apparently it is a trade-out proposition of some sort.

MR. YOUNG: Is it your impression that Humble gathers all the production from all connections and runs it to this Moran station?

MR. RACH: I don't know where they run it to, that is, all of it.

MR. YOUNG: We have only one taker, one pipeline is physically connected to all wells?

MR. RACH: I assume so.

A Yes, that is correct.

MR. YOUNG: One taker is physically connected up?

MR. RACH: Where Humble Pipeline delivers the Cities Service oil to Cities Service, I don't know, but they deliver Texas Company oil to The Texas Company at the Moran station, according to our latest information. That may be subject to change on checking.

Q (By Mr. Hart) Mr. Carr, you know that the oil you produce is sold to the Cities Service Company, is that right?

A Well, I know they pay us for it.

MR. RACH: In that connection also, until this situation came up, The Texas Company oil was also sold to Cities Service.

A Until April 1.

MR. RACH: Well, that's the reason it has been so hard to find out just actually what is presently becoming of this oil.

MR. BARBECK: All right, I think that clears it up. Do you have any other questions on it?

MR. HART: I might ask one more question for the record.

- Q (By Mr. Hart) Mr. Carr, in testifying about 13 producing days, we were assuming that Cities Service would take 80% of the February runs?
- A Yes, sir, based on a 60% take, that would take about 10 producing days.
- Q If the information you got from the newspaper is incorrect about Cities Service taking 80% and instead they are only going to take 60%, then your request would be that the Commission reduce the producing days to 10 days?
- A Yes, sir.

MR. HART: I believe that's all.

MR. BARBECK: Anything further?

MR. RACH: Well, I still, Mr. Examiner, want to stress the fact that The Texas Company in Texas and the other States where Cities Service has been purchasing has agreed to take quite a bit or quite a sizeable quantity of oil that formerly went to The Texas Company. We feel that in cooperating that way, and the fact that we have been able to make arrangements for delivery of our oil in this field, that it is an individual operator's problem and not one for the Commission.

MR. HART: The Texas Company is not willing to take any of Mr. Carr's oil in this field, are they?

MR. RACH: Because of their commitments to take Cities Service oil in other fields, as I read earlier, Mr. Hart, we've got our refinery overloaded and our storage over-

loaded, but in this particular field I presume they are not, because they are already taking Cities Service oil from other fields that had not been brought to their attention at the time that commitment was made.

MR. HART: Mr. Examiner, I would like to make a brief closing statement, then. We believe that this situation is in all essential particulars like the one in the Round Top Field, in which the Railroad Commission at the State-wide Hearing reduced the number of producing days from 16 to 12, and we are simply asking for the same treatment of the Applicant in this case as was given to the producers involved in the Round Top Field.

If there is any question raised about the right of the Railroad Commission to take into account market demand, I would like to point out that in Article 6014 it specifically provides that waste shall be defined to include production in excess of reasonable market demand. So, the Railroad Commission is entitled to consider that in determining the amount of oil that shall be produced. That part of the Statute, of course, has been passed upon in a number of cases. One of them was the Continental Oil Company case that was tried a number of years ago. It is reported in 157 SW (2d). I was interested in looking at it. In that case it was held that even though one single producer can produce his oil without underground physical waste, that the Commission is not required to consider only that

producer's situation, or even whether the oil in that field can be produced at a greater rate without physical waste or underground waste, but the Commission is entitled to consider the question of market demand, and in this case we have in addition to those considerations that were involved in the Continental Oil Company case the question of correlative rights and the record in this case shows that unless there is a reduction in producing days because of Mr. Carr's inability to sell his oil, that there will be a drainage of reserves from his leases to the leases of The Texas Company, and this Order that we ask for is, therefore, we believe, justified by protection of correlative rights, as well as by the prevention of waste as defined by the Statutes.

MR. BARBECK: Anything further. Hearing closed.

 HEARING CLOSED

THE STATE OF TEXAS ||
COUNTY OF TRAVIS ||

I, H. Ray Pardue, Official Reporter, Oil and Gas Division, Railroad Commission of Texas, hereby certify that the foregoing 23 pages constitute a true and correct transcript, to the best of my ability, of the testimony heard and proceedings had in Austin, Texas, on April 30, 1956, pertaining to the South Lueders (King Sand), South Lueders (Bluff Creek) and South Lueders (Cook Lime) Fields, Jones County, Texas.

WITNESS MY HAND, this 1st day of May, A. D., 1956.

OFFICIAL REPORTER

RAILROAD COMMISSION OF TEXAS

OIL AND GAS DIVISION

OIL AND GAS DOCKET
NOS. 126 & 125
Nos. 8 & 7-33,288

IN RE: CONSERVATION AND PREVENTION OF
WASTE OF CRUDE PETROLEUM AND
NATURAL GAS IN CERTAIN FIELDS IN
RAILROAD COMMISSION DISTRICTS
NOS. 8 and 7-C, T E X A S.

HEARING HELD IN AUSTIN, TEXAS, ON MAY 7, 1956.

B-E-F-O-R-E

HONORABLE WILLIAM J. MURRAY, CHAIRMAN
HONORABLE ERNEST O. THOMPSON, COMMISSIONER
MR. A. H. BARBECK, CHIEF ENGINEER
MR. FRED YOUNG, LEGAL EXAMINER

APPEARANCES

<u>NAME</u>	<u>REPRESENTING</u>
MR. J. R. RHOTENBERRY MR. JOHN W. STAYTON	THE ATLANTIC REFINING COMPANY
MR. R. E. ADAMS MR. GERALD MCGREW MR. ALFRED O. HOLL	CITIES SERVICE OIL COMPANY
MR. J. L. NORMAN MR. DON PRESCOTT MR. ELMER PATMAN	THE SUPERIOR OIL COMPANY

CHAIRMAN MURRAY: Call Oil & Gas Dockets Nos.
126 and 125, Nos. 8 and 7-33,288, relative to conserva-
tion and prevention of waste of crude petroleum and

natural gas in certain fields in Railroad Commission Districts Nos. 8 and 7-C, Texas.

"Notice is hereby given to the public and all interested persons that the Railroad Commission of Texas, in compliance with the request of The Superior Oil Company, will hold an Emergency Hearing at 2:00 P.M. on May 7, 1956, in its Hearing Room in the Tribune Building, Austin, Texas, for the purpose of determining whether or not the number of producing days for the fields listed below, located in Railroad Commission Districts Nos. 8 and 7-C, should be reduced for the month of May, 1956, to the number of days indicated opposite each field: Block 12, Andrews County, District 8, 7 days; Block 12 (East Ellenburger), Andrews County, District 8, 15 days; Elkhorn (Ellenburger), Crockett County, District 7-C, 15 days; Shafter Lake (Devonian), Andrews County, District 8, 15 days; Shafter Lake (Wolfcamp), Andrews County, District 8, 14 days; Shafter Lake (Yates) Andrews County, District 8, 13 days."

I believe we have received appearance slips from all of those present. Then, presumably, the Applicant for this hearing would wish to be the first to make presentation.

MR. PATMAN: Mr. Chairman, Elmer Patman, representing The Superior Oil Company. I would like to ask, if I may, that the schedule attached to our request for the hearing

be made a part of the record, and in explanation of that tabulation its office or function was to attempt to take the total allowable of all purchasers in the field, including Cities Service, reducing thereby 20%, which I understand is the current pattern for May, and then divide that total field demand in order to determine the number of days that would give everybody an opportunity to ratably participate. In that connection, I believe the Commission has had this comparable situation before it on at least one other occasion last week in the Lueders Field of Jones County, and this is a comparable hearing to that. So, it is the purpose of The Superior Oil Company to bring these facts before the Commission.

COMMISSIONER THOMPSON: These calculations fit the nominations?

MR. PATMAN: Maybe not the nominations, General, but the production to be fixed for the month. I have two witnesses. I would like for them both to be sworn.

CHAIRMAN MURRAY: Will all the witnesses who intend to testify be sworn at this time?

WHEREUPON, THE WITNESSES WERE DULY SWORN.

WHEREUPON, MR. J. L. NORMAN TESTIFIED AS FOLLOWS:

EXAMINATION

BY MR. PATMAN:

Q Mr. Norman, will you state your name, by whom you are employed and in what position?

A J. L. Norman. I am employed by The Superior Oil Company as Assistant Superintendent of Manufacturing and Sales.

Q That's the Crude Oil Sales Department?

A In effect, yes.

Q Mr. Norman, where do you live?

A Midland, Texas.

Q Under your supervision, are you in charge of the crude oil sales by The Superior Oil Company in Railroad Commission Districts 8 and 7-C?

A Yes, sir.

Q Are you familiar with the production of The Superior Oil Company and the sales of oil and the connections for those sales in Andrews County, University Block 12, Block 12 (East Ellenburger), Andrews County, Elkhorn (Ellenburger), Crockett County, Shafter Lake (Devonian), Andrews County, Shafter Lake (Wolfcamp), Andrews County, Shafter Lake (Yates), Andrews County?

A Yes, sir, I am.

Q You are familiar with that?

A I am.

Q Are you also familiar with the sales of crude oil, production and sales that The Superior Oil Company makes in the Spraberry Trend Area in Reagan, Midland, Upton and Glasscock Counties?

A Yes, sir, I am.

Q And the Wentz (Tubb) in Pecos County?

A Yes, sir.

Q To whom does The Superior Oil Company sell this oil?

A In each case the crude is sold to the Cities Service Oil Company.

Q How do you understand that it is carried out of the field?

A By the Texas-New Mexico Pipeline Company.

Q Who do you understand owns the Texas-New Mexico Pipeline Company?

A The Cities Service Oil Company, The Texas Company, Tide Water Associated Oil Company and Sinclair Oil & Gas Company.

Q Now, Mr. Norman, in the tabulation that has been attached to Superior's request for the hearing, do you have that in front of you?

A Yes, sir, I do.

Q There is a column there "Purchasers in the Field," and the percent of allowable purchased. Did you make up those?

A Yes, sir, I did.

Q To the best of your knowledge, are those percentages substantially correct?

A Yes, sir, to the best of my knowledge.

COMMISSIONER THOMPSON: Can you furnish a copy to the Reporter?

MR. PATMAN: Yes, sir. It's attached to the application.

Q (By Mr. Patman) Mr. Norman, have you tabulated the authorized allowable production from each of these fields?

A Yes, sir, I have.

Q Which is the first one you have there?

A Block 12, Andrews County.

MR. PATMAN: If the Chairman please, and General, we can make this tabulation a part of the record, or we can read it, at your pleasure.

COMMISSIONER THOMPSON: Just turn it in. If anyone wants to have it explained, you can explain it.

MR. PATMAN: All right, sir. We only have the one copy.

COMMISSIONER THOMPSON: Is there anyone opposing this proposal?

MR. STAYTON: We're opposing it.

COMMISSIONER THOMPSON: Then, you'll want to know what's in it.

MR. STAYTON: I'll just take a look at what's in it.

Q (By Mr. Patman) The tabulation I have here has a column for Purchaser, and then a column for the Allowable, Barrels per month?

A That correct.

Q And then a column for the Authorized Purchases?

A Yes, sir.

Q The last column, as I understand it, is 100% as to all purchasers except Cities Service?

A That is correct.

Q And it is tabulated on what basis, as you understand it?

A On 80% of the average runs during the months of February and March, 1956.

Q Mr. Worman, you have calculated the days that should be authorized in the fields to be produced in order to give everybody an

equal opportunity to produce the demand in the field, as I understand it?

A Yes, sir, that's correct.

Q Would you read for the record the number of days that Block 12 should produce, and the reason for it?

A We feel that Block 12 should produce seven days in order for the purchasers to take all the crude ratably without requiring them to increase the over-all purchases from the field.

Q In that connection, are there marginal wells in the field?

A There are a number of marginal wells. There are more marginal wells in the field than there are non-marginal.

Q What you're suggesting here is that marginal wells be not disturbed, and you're cutting the non-marginal wells to a point as to give an opportunity to participate in the total field outlet equally?

A That is correct.

Q All right, now, the next field.

CHAIRMAN MURRAY: Might I ask a question there? It might be necessary to get a Cities Service representative to answer it. It was my understanding, and I wanted to see if it was also your understanding, that effective May 1 Cities Service said they would take 80% of the average for February and March?

A Yes, sir.

CHAIRMAN MURRAY: Except that they would take 100% from marginal wells and from waterflood projects?

A I did hear, Mr. Murray, that they would take 100% from the waterflood projects, but I haven't heard that they would take 100% from the marginal wells.

COMMISSIONER THOMPSON: The law would indicate that, would it not? We can't prorate marginal wells.

A I would hope so, yes, sir.

COMMISSIONER THOMPSON: I'm not asking you as a lawyer; I'm just saying that that is your understanding of the statute, is it not?

A Yes, sir.

CHAIRMAN MURRAY: Well, then, you do understand that Cities Service would take 100% from the waterfloods, but you had assumed that they would apply the 80% to the runs from a field, regardless of whether those runs had come from marginal wells or prorated wells?

A Yes, sir, that was my understanding.

CHAIRMAN MURRAY: And for that reason, you are assuming that you've got to reduce from the Block 12 Field by 20% the average amount that Cities Service took in the months of February and March, and consequently you had to make a substantially larger than 20% reduction to the proratable wells in order not to --

A Yes, sir, and that is the reason for the drastic cut. It was applied only as against the non-marginal wells.

Q (By Mr. Patman) Proratable wells?

A Yes, sir.

Q Now, the next field, Mr. Norman?

A The next field is the Block 12 (East Ellenburger).

Q Now, on the same basis of the calculations that you used, what would be the number of producing days to permit an equitable and equal participation in the demand?

A 15 days. Actually, it is 14.6.

Q And you rounded it off at 15?

A Yes, sir.

Q What's the next one?

A The next is the Elkhorn (Ellenburger) Field of Crockett County.

Q What does it come out?

A Actually, 15.4, and we have asked for 15.

Q You have rounded it back to 15?

A That is correct.

Q And the next one?

A Shafter Lake (Devonian), computed to 15.1. We rounded it to 15 days. Shafter Lake (Wolfcamp) of Andrews County, computed to 15.3. We rounded that to 15 days. Shafter Lake (Yates) of Andrews County was actually 13.1. We rounded that to 13.

MR. PATMAN: If the Commission please, we will ask that this be identified as an exhibit and offer it as such.

MR. HOLL: I believe the witness has testified that Shafter Lake (Wolfcamp) was 15 days; is that correct?

COMMISSIONER THOMPSON: 14 days. 15 days was the one before that.

MR. PATMAN: The actual calculations are on the sheet.

COMMISSIONER THOMPSON: What was the Wolfcamp? You'd better straighten that out.

A Shafter Lake (Wolfcamp) was fifteen days.

CHAIRMAN MURRAY: We have it on the notice as fourteen.

MR. PATMAN: Would it be out of order to amend the request for fifteen days? We will ask for permission.

COMMISSIONER THOMPSON: Yes.

Q (By Mr. Patman) Now, Mr. Norman, in your second tabulation here you've made no tabulation or no request with reference to the Spraberry; is that right?

A That is correct.

MR. PATMAN: I would state this to the Commission, that that is rather small, barrel-wise. It is a complicated area and we would waive any request with reference to the Spraberry, for mechanical reasons. I mean, as far as Superior is concerned. It's up to the Commission as to whether they want to do that, of course. I have no further questions of Mr. Norman.

CHAIRMAN MURRAY: Any questions of this witness?

MR. STAYTON: I have just one question, Mr. Chairman. Mr. Norman, the Atlantic interests in Block 12, the first one on your list, they have nothing in that field but marginal wells, so I gather from your testimony that this request would not affect that field at all?

A That is right, yes.

MR. PATMAN: Anybody else?

CHAIRMAN MURRAY: The witness is excused.

MR. PATMAN: Call Mr. Prescott.

WHEREUPON, MR. DON PRESCOTT, BEING HERETOFORE
DULY SWORN, TESTIFIED AS FOLLOWS:

EXAMINATION

BY MR. PATMAN:

Q Mr. Prescott, state your name, by whom you are employed and the capacity in which you are employed.

A I am Don Prescott, Division Engineer, Superior Oil Company, Midland.

Q Mr. Prescott, under your supervision do you have charge of the production, actual physical production of The Superior Oil Company wells in the fields named?

A Yes, sir, I do.

Q Have you listened to Mr. Norman testify?

A I have.

Q Are there any operating problems with reference to water or otherwise that should be called to the Commission's attention concerning any of The Superior wells in any of the fields that, in your opinion, would be helpful to them in resolving the waste question?

A In two of the fields, the Shafter Lake (Devonian), which is a water drive reservoir, and is producing large volumes of water at this time. Superior operates four wells in this field, and we feel that any shut-down of these wells would create a physical waste.

Q Why?

A We find that normally they are all on pump and any mechanical trouble, a shut-down of even one day will take from five to six days to get normal production back again, and we don't know what would happen over a prolonged shut-down period of the wells. We would much prefer to operate them on calendar day basis, as we are producing them at the present time.

Q You hope Cities Service will take the oil?

A That's our ultimate hope at this time.

Q In your opinion, their failure to take it would cause waste?

A We think so.

Q Any other fields, Mr. Prescott?

A The Elkhorn (Ellenburger) is a similar reservoir. It is Ellenburger production and producing water. We feel that the same situation arises there.

Q How many wells are involved?

A We have four wells in the Elkhorn (Ellenburger).

Q Are they all in the same situation, in your opinion?

A Same situation.

Q Mr. Prescott, have you listened to Mr. Norman's recommendation with reference to reducing the producing day pattern in these fields in order to share in the total demand for the field?

A Yes, sir, we have.

Q Do you concur in that recommendation?

A Yes, I do.

Q In your opinion, if the Commission were to follow that recom-

mendation, would that accomplish an opportunity to equitably share in the demand from the field, ratably share?

A Yes, sir, we feel the takes would be ratable.

Q Would it also prevent waste, in your opinion?

A Yes, it would.

MR. PATMAN: That's all I have.

COMMISSIONER THOMPSON: Are these wells you spoke of taken into consideration in this application, these particular wells you spoke of a moment ago? Have you considered them in this application?

A Yes, sir.

COMMISSIONER THOMPSON: Granting this will meet all of your objections that you spoke of a moment ago?

A Well, substantially, yes. It would permit full production of these wells that are producing water.

COMMISSIONER THOMPSON: They wouldn't be on 15 days?

A No, we feel that they will have to be classified in Cities Service's Order, they had an exempt well on waterflood. We feel this is a natural waterflood-type reservoir, and, therefore, they should be on exempt status, and we're just pointing this out, that this is a case where we are now governed by shut-downs.

COMMISSIONER THOMPSON: If we grant this request, wouldn't that cover your situation?

A Yes, that would permit pipeline capacity to take care of it.

COMMISSIONER THOMPSON: And still let you run calen-

dar days on these water trouble wells?

A Yes, sir.

CHAIRMAN MURRAY: I'm not sure I'm clear, but prior to the institution of pipeline proration by Cities Service, what was the status of these wells which you have been describing? Were they producing on the regular Statewide pattern, whatever it was, subject to shut-down days?

A Yes, sir, for allowable. Of course, we produced them on a calendar day basis.

COMMISSIONER THOMPSON: And you come out barrel-wise--

A Barrel-wise, we come out the same.

COMMISSIONER THOMPSON: Now, I see.

A But we are afraid that any shut-down of these wells would create --

CHAIRMAN MURRAY: Complete shut-down would constitute physical waste?

A That's right.

COMMISSIONER THOMPSON: Well, half shut-down wouldn't do it?

A They are geared to that now.

CHAIRMAN MURRAY: You produce them every day of the month at roughly half the schedule day allowable now?

A That is correct.

Q (By Mr. Patman) And you feel that any substantial reduction below that would damage the wells; is that your point?

A Yes, sir, we believe that they would load with water and we would lose ultimate production.

COMMISSIONER THOMPSON: How do you accomplish it?
Shorter stroke? How do you reduce the amount?

A Well, shutting them in.

COMMISSIONER THOMPSON: I thought you said you couldn't shut them in? You can shut them in half the time but you can't shut them in all the time?

A You mean how do we produce them now?

COMMISSIONER THOMPSON: Yes, actually, how do you accomplish it?

A By reduced stroke and reduced pump sizes, if necessary.

Q (By Mr. Patman) In other words, you have them geared to about a 16-day pattern so you can produce some allowable every day?

A That's correct.

Q 16 days, which has been the Statewide pattern, and you feel that anything substantially below that would be damaging to the well?

A That's correct.

COMMISSIONER THOMPSON: Have you ever tried anything lower than that?

A Well, we have found that when we have mechanical failure and the well has been shut in for a day or two, we know that it takes about a week to get them back onto production.

COMMISSIONER THOMPSON: To pump it off?

A Yes, sir, to pump that water off.

COMMISSIONER THOMPSON: I'm asking these questions just to make the record clear.

MR. PATMAN: I have no further questions of Mr. Prescott.

CHAIRMAN MURRAY: Are there any further questions of this witness? You're excused, Mr. Prescott.

MR. PATMAN: That's all we have.

COMMISSIONER THOMPSON: This gathering company is just a gatherer for Tex-Mex; is that the way it's done? Who could answer that?

MR. MC GREW: The Texas-New Mexico Pipeline Company is a pipeline and a common carrier and it gathers and transports oil for Cities Service Oil Company, as well as other purchasers. We do happen to hold a 10% stock interest in that Company, as stated.

COMMISSIONER THOMPSON: There is no question about the Texas-New Mexico Pipeline being a common purchaser?

MR. MC GREW: Sir, they are not a purchaser. The Texas-New Mexico Pipeline Company --

COMMISSIONER THOMPSON: But the owners purchase?

MR. MC GREW: Oh, yes, sir.

COMMISSIONER THOMPSON: We look through this corporate veil to see who is actually doing what to whom.

MR. MC GREW: Yes, sir.

MR. PATMAN: The ownership that Mr. Norman stated, is that substantially correct?

MR. MC GREW: I can only speak for our own Company. We own a 10% stock ownership in that Company. The other three owners named are correct.

MR. PATMAN: We're not interested in the percentage. We're not trying to put that in.

COMMISSIONER THOMPSON: Nobody is objecting to that.

MR. PATMAN: No, sir.

COMMISSIONER THOMPSON: This being an emergency hearing, two members of the Commission came down so that we could act promptly, without having to wait for a transcript.

MR. PATMAN: We are anxious to hear, if the General please, because we are asking for seven days in one of these fields, and today is the 7th of the month.

COMMISSIONER THOMPSON: We realize that.

MR. PATMAN: We do appreciate it, and it's comparable. I had no interest in the Lueders Field in Jones County, but I did listen to the hearing, and it is a comparable situation in all respects, as I understand it, or similar anyway. It seems a matter of precedent that the same relief granted in that field would be appropriate for this request.

COMMISSIONER THOMPSON: What are the prospects of Cities Service for the future?

MR. HOLL: Of course, they are trying to settle the strike every day.

COMMISSIONER THOMPSON: How is it coming?

MR. HOLL: Well, the reports coming back are not optimistic, and yet they are not pessimistic. We're sure hoping harder than anybody else that it will be over shortly.

CHAIRMAN MURRAY: Have you been able to dispose to other Companies of such amounts of your oil as would enable you to be raised from 60% in April to 80% in May?

MR. HOLL: I'd like to have Mr. McGrew answer that.

MR. MC GREW: That's correct. In fact, that is essentially the whole reason that we were able to increase our take to 80% in May. Frankly, unless we make some deals past June 1, I don't know what's going to happen then if the strike continues. I hope we don't have to revert back to some lesser take than 80%. We're going to storage in the month of May 20,000 barrels a day, just in the Mid-Continent Area, and, of course, that can't go on indefinitely. Frankly, we're gambling that the strike will be over at least by June 1.

CHAIRMAN MURRAY: All you can see is 80% through the month of May. If the commitments made for the month of May are not continued in June, it might be that you couldn't do as well as 80%, and having to dispose of more crude, which I presume you are constantly endeavoring to seek other takers, you might go above 80%?

MR. MC GREW: Yes, sir, we are losing a sizeable

amount of the over-production, and our own Company produces in the range of 110,000 barrels a day, and we are affected pretty much by this ourselves.

COMMISSIONER THOMPSON: How do you mean you're losing?

MR. MC GREW: Well, I mean our own production is being curtailed, as everybody else's production to whom we are connected.

COMMISSIONER THOMPSON: You're losing currently?

MR. MC GREW: Yes, sir.

COMMISSIONER THOMPSON: You still have it in the ground.

MR. MC GREW: Yes, sir.

COMMISSIONER THOMPSON: Are you selling crude, too?

MR. MC GREW: Yes, sir, we sold a sizeable amount of crude both during April and May. However, a number of those particular sales were tied to take the products, which is what we need, too, but it was not a one-way deal in any sense. The other purchasers have helped us to the limit of their ability. Most of them that I have talked with don't need crude; they take it to help the situation.

CHAIRMAN MURRAY: Anything else? Any statements?

MR. STAYTON: I have a statement. We think the Commission ought to very carefully consider, evidently it has already been called upon to consider the classification, and we think they ought to reconsider this matter

of taking care of one of the essential hazards in the oil business by reducing the producing days in these various fields. It seems to us that if you're going to follow that policy, there will be other instances where the take of a particular purchaser might be curtailed for reasons other than strikes, that will require you to follow this same policy to reduce the allowables in various fields. Mr. Patman stated, I believe, with respect to Spraberry, and please correct me if I am wrong, that they were losing some production there, but he wasn't making any point about it in that particular field. He may not be, but, for your information, in the Spraberry (Clearfork) during the month of April Atlantic's production was curtailed nearly 5000 barrels, and in the month of May on the 80% proposition that's been set forth, they will lose approximately 4000 barrels, and in the Spraberry (Regular) during the month of April they lost about 3500 barrels, and during the month of May they will lose about 3000 barrels. We haven't made any point about it, because we just considered that was our hard luck. If everybody comes running down here, we may have to join them.

COMMISSIONER THOMPSON: Your counsel to the Commission would be what, how to handle it? How would you recommend that we do it?

MR. STAYTON: Well, there are several ways you could do it, General. In the first place, of course, you could

deny the request. I don't know that you rest under any legal duty or statutory duty to grant it. Of course, you may think that fairness may cause you to grant it, but I don't think you have to. Now, another way is by allowing these particular producers whose output has been curtailed to make that up at some later date over a period of time.

COMMISSIONER THOMPSON: Back allowable?

MR. STAYTON: I don't think that's back allowable. Increase their allowable for the future.

COMMISSIONER THOMPSON: I'm asking seriously. You challenge the right of the Commission to consider things like strikes?

MR. STAYTON: Well, I didn't want to go quite that far. I think you can make an argument both ways about whether you can consider a strike. I'm saying you don't have to consider them.

COMMISSIONER THOMPSON: We don't want to be too liberal or too hard. We just want to kind of have a little play in the joints.

MR. STAYTON: I recognize that, but we think that if you recognize this proposition, you're going to be confronted with a lot more of them and over a long period of time, and they're going to get more complex all the time. Strikes are not the only things, although they're bad enough.

COMMISSIONER THOMPSON: We considered it on the market demand angle.

CHAIRMAN MURRAY: We didn't necessarily, I take it, base our decision on what was the cause of the reduction in market demand. Cities Service could have said, "We just want 80% as much oil as we've been taking," and given us no reason, and we would have undertaken, presumably following our understanding of the statutes and the Court interpretations thereof, we would have undertaken to see that the reductions in demand, regardless of how it was occasioned, was equitably proportioned to all producers in accordance with the across-the-board policy.

COMMISSIONER THOMPSON: We do go a long ways to help everybody. I guess we're "softies," being too considerate.

MR. STAYTON: If you grant this, you won't be helping us. I don't know who you're talking about helping.

COMMISSIONER THOMPSON: The oil industry generally, problem after problem, one field after another.

CHAIRMAN MURRAY: If I correctly understood the Commission's decision made at the last Statewide Hearing after the application for reduction in days from Round Top to 12 days, so that all producers could produce ratably on a 12-day basis, the Commission then decided to grant that request of the Round Top operators and implied that we would give similar consideration to any other operators upon request. I think we would feel called upon to give similar consideration to Atlantic in the Spraberry

when properly presented to us. I'm not certain that without a notice covering it, that we could account here on that.

MR. STAYTON: I recognize that, but we are not requesting it in this particular hearing, and I recognize that you couldn't, but all I am calling to your attention is the fact that there are many other people that are presently affected, and if some future proposition comes up, it may be darn near all of them would be affected, and I think you should just very carefully consider the precedent that you would be setting, and we may have to come up here -- I don't know. I haven't talked to them -- and ask for the same relief.

CHAIRMAN MURRAY: Well, you can rest assured that if this is the course we're going to follow, presumably the course being set by our Roundtop action, that that relief is available to all under similar circumstances, once they are called to our attention.

COMMISSIONER THOMPSON: When Stanolind had their fire, we tried to help them in the same manner. When they had their explosion or their fire at Whiting, they couldn't take the crude, so we tried to spread it ratably.

MR. PATMAN: I believe you did the same thing, General, in the Shell strike at Deer Park a number of years ago.

COMMISSIONER THOMPSON: Yes.

MR. PATMAN: I'd like to make this observation of it. I don't want to burden the Commission, but it would seem to me that the recommendations that have been made here, if followed by the Commission, would be on much safer ground than to talk about so-called back allowables, which are dangerous, to my way of thinking. In the first place, it just this simple. There is only a market demand from the field for so many barrels of oil, regardless of the cause, and we are not challenging that, and we are only asking for an opportunity to ratably participate in it. In the event that you were to follow the back allowable rule, as suggested by the distinguished lawyer, in the future, you would --

COMMISSIONER THOMPSON: I believe he said he didn't suggest back allowable.

MR. PATMAN: Well, he suggested that was one way to meet it. He wasn't recommending it.

MR. STAYTON: I just said it wasn't back allowable.

MR. PATMAN: Well, all right, what he said is not back allowable, then, and, approaching it from that standpoint, in the future you would still just have a market demand for so much oil from the State. If The Superior and Atlantic are to be given an opportunity to produce more than their neighbor in order to make up for something that is lost here, you've got the same problem then that you've got now, in reverse, so all you do is compound the

felony.

COMMISSIONER THOMPSON: Well, we don't intend to approach it in that manner, because somebody is low this month he can be high next month.

MR. PATMAN: We don't want that. It seems that this is the best --

COMMISSIONER THOMPSON: Sell as much as you can, but not more than can be transported or sold.

MR. PATMAN: And whatever the demand in the field is, as a producer we just want the opportunity to produce in it ratably currently.

COMMISSIONER THOMPSON: Hardly a day goes by but what we have these hard decisions to make, just like this. We could say no to everything, but pretty soon the entire car would back up. We try to keep the train rolling as best we can.

CHAIRMAN MURRAY: Any other statements?

MR. STAYTON: Mr. Chairman, I would like to make this request, that if this matter is going to spread and other people are going to be coming in for consideration, that it is sometimes impossible to convene two members of the Commission, because your duties call you out of town a considerable part of the time. I wonder if any procedure could be set up where they might be acted on? If this is really going to be the policy, I don't see why two members of the Commission would have to sit in on all the hearings.

CHAIRMAN MURRAY: We did not sit in on the last hearing. A quick transcript was made and brought to us at our following Monday conference.

COMMISSIONER THOMPSON: We had a four-day emergency notice.

CHAIRMAN MURRAY: Presumably, the Statewide Hearing would be open, the hearing notice would be broad enough to encompass that. We're hoping to get a more orderly procedure, if this is to be long continued, where we won't have to have any more emergency hearings. That is the only way we knew to handle it at this time. Is there any question as to the accuracy of these calculations?

MR. HOLL: Mr. Chairman, we have just received those this morning. We haven't had an opportunity to check them, but we think that they are correct. We are willing to go along with them. The under-production was in our calculations. That probably accounts for the little bit of excess.

CHAIRMAN MURRAY: Is the course followed on the calculations on the Block 12, where they were cut down to seven days, we are, of course, powerless to reduce a marginal well, would, as you understand it, Cities Service, from that particular reservoir, take 80% only of the oil they had been taking to obtain ratable take among the proratable wells; is it necessary to reduce it as much as seven days?

MR. HOLL: That's as close as we have been able to calculate it, and we come out with the same figure that the witness testified to.

CHAIRMAN MURRAY: Is there anything further? The hearing is closed, then. Thank you very much.

 HEARING CLOSED

THE STATE OF TEXAS |
 COUNTY OF TRAVIS |

I, Peggy N. Studer, Official Reporter, Oil and Gas Division, Railroad Commission of Texas, hereby certify that the above and foregoing 27 pages constitute a true and correct transcript, to the best of my ability, of the testimony heard and proceedings had in Austin, Texas, on May 7, 1956, pertaining to certain fields in Railroad Commission Districts Nos. 8 and 7-C, Texas.

WITNESS MY HAND, this 4th day of June, A. D., 1956.

Peggy N. Studer

 OFFICIAL REPORTER