

CASE 1922: In the matter concerning  
purchaser proration by INDIANA OIL  
in all oil pools from which it  
purchases in Lea, Chaves & Eddy Co.

Casa No.

1922

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Application, Transcript,  
Small Exhibits, Etc.

CLASS OF SERVICE

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# WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

SYMBOLS

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1201

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LA178 KB326

K TUA614 PD=FAX TULSA OKLA 3 537PMC=

1960 MAR 3 PM 4 51

A L PORTER=

*Res. Hearing*

SUPERVISOR AND PRORATION MGR NEW MEXICO OIL AND

GAS COMMISSION SANTA FE NMEX=

EFFECTIVE 7 AM MARCH 1960 DUE TO SUBSTANTIAL REDUCTION  
IN REQUIREMENTS AT REFINERIES WHICH WE SUPPLY WE ARE  
FORCED TO CURTAIL OUR PURCHASES OF CRUDE OIL WE WILL AS  
OF MARCH 1 1960 REDUCE OUR PURCHASES OF CRUDE OIL FROM  
LEASES IN NEW MEXICO TO 80 PER CENT OF ACTUAL JANUARY  
1960 RUNS EXCLUDING THOSE WELLS CAPABLE OF MAKING 10 B/D  
OR LESS AND WATERFLOODS=

*Case 1922*

R F PYELSTICKER PRESIDENT INDIANA OIL PURCHASING

CO THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

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# WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

1201 (4-60)

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LA167 KC077

1960 APR 27 PM 3 25

K TUA579 TUZ2 PD=FAX TULSA OKLA 27 NFT=

A L PORTER, SUPERVISOR AND PRORATION MANAGER=

NEW MEXICO OIL AND GAS COMMISSION SANTA FE NMEX=

I AM PLEASED TO ADVISE THAT EFFECTIVE MAY 1 INDIANA OIL PURCHASING COMPANY WILL DISCONTINUE PURCHASER PRORATION WHICH HAS BEEN IN EFFECT THROUGH MARCH AND APRIL. FOR THE MONTH OF MAY WE WILL BE ABLE TO PURCHASE CURRENT ALLOWABLES AS SET BY YOUR COMMISSION.

YOUR ACTION IN REDUCING MAY ALLOWABLES HAS MATERIALLY HELPED AND WE SINCERELY APPRECIATE THE CONSIDERATION AND UNDERSTANDING YOU HAVE GIVEN US=

R F PIELSTICKER PRESIDENT INDIANA OIL  
PURCHASING CO.

SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

# INDIANA OIL PURCHASING COMPANY

POST OFFICE BOX 391

TULSA 2, OKLAHOMA

R. F. PIELSTICKER  
PRESIDENT

April 11, 1960

Mr. A. L. Porter, Jr.  
Secretary - Director  
Oil Conservation Commission  
State of New Mexico  
P. O. Box 871  
Santa Fe, New Mexico

Dear Mr. Porter:

We have your letter of March 29 requesting certain information which you feel is pertinent to the question of our prorating our purchases in New Mexico and other states.

We have shown below the information which you requested in those cases where it was possible for us to supply it. For the sake of convenience we have in each case repeated the question as you asked it in your letter.

1. "What is the total amount of crude oil (in barrels) purchased by your company in each state in which it purchases for each month from and including January, 1960?"

The following table shows our total lease purchases by states:

	Barrels	
	January	February
Arkansas	982,328	879,019
Colorado	378,200	362,065
Kansas	1,245,797	1,166,786
Louisiana	563,890	581,218
Montana	35,836	35,902
Nebraska	417,512	407,965
New Mexico	1,745,796	1,625,102
North Dakota	1,429,314	1,225,174
Oklahoma	734,545	705,048
Texas	8,025,683	7,741,811
Utah	112,499	114,376
Wyoming	2,386,690	2,370,170

Mr. A. I. Porter, Jr.  
April 11, 1960  
Page 2:

2. "What was the total number of wells from which your company purchased crude oil in each state from and including January, 1960?"

Our purchases of crude oil are gathered by many common carrier pipelines which are connected to lease and unit tankage. We do not have information relative to the number of wells involved in these leases and units.

3. "What is the total amount of crude oil (in barrels) for which your company nominated in each state for each month from and including January, 1960?"

Our nominations were as follows:

	Barrels			
	January	February	March	April
Kansas	1,333,000	1,247,000	1,333,000	1,026,000
Louisiana	576,600	539,400	576,600	474,000
New Mexico	1,240,000	1,160,000	1,240,000	1,020,000
North Dakota	1,441,500	1,305,000	1,364,000	1,335,000
Oklahoma	775,000	725,000	620,000	600,000
Texas	7,936,000	7,685,000	7,378,000	6,780,000

4. "What percentage of crude oil purchased by your company in January, 1960 was produced by Pan American Petroleum Corporation or any other company affiliated with Standard Oil Company (Indiana)?"

This is practically impossible to obtain precisely, but we would estimate it in the neighborhood of 20% of our total purchases.

5. "What were the crude runs to refineries owned or operated by Standard Oil Company (Indiana) or its affiliates during each month from and including January, 1960?"

These were as follows:

	Barrels
January	19,831,196
February	16,379,229

- 6-A. "What were the crude oil and four major product stock levels held by Standard Oil Company (Indiana) and its affiliates at the beginning of each month from and including January, 1960?"

In reply to this question we submit the following data, which has previously been made public:

Mr. A. L. Porter, Jr.  
 April 11, 1960  
 Page 3:

	Barrels	
	November 1	March 1 Estimate
Crude	31,875,000	29,900,000
Gasoline	15,820,000	20,364,000
Kerosene	3,895,000	2,512,000
Distillate	10,535,000	6,286,000
Residual	2,285,000	2,132,000

6-B. "What portion of each of these stocks constitutes pipeline fill, tank bottoms, and other normally unavailable inventory?"

	Per Cent	
	November 1	March 1 Estimate
Crude	26.8	29.7
Gasoline	30.6	25.5
Kerosene	8.2	21.0
Distillate	17.4	23.5
Residual	39.8	42.7

7-A. "What was the level of stocks of crude oil and four major products desired by Standard Oil Company (Indiana) and its affiliates at the beginning of each month from and including January, 1960?"

In reply to this question we submit the following:

	Barrels	
	November 1	March 1 Estimate
Crude	31,000,000	28,000,000
Gasoline	17,600,000	20,222,000
Kerosene	5,100,000	2,229,000
Distillate	11,500,000	4,418,000
Residual	2,700,000	1,990,000

7-B. "What portion of each of these desired levels would constitute pipeline fill, tank bottoms, and other normally unavailable inventory?"

	Per Cent	
	November 1	March 1 Estimate
Crude	27.5	31.6
Gasoline	27.6	25.7
Kerosene	6.2	23.6
Distillate	15.9	33.4
Residual	33.4	45.7

Mr. A. L. Porter, Jr.

April 11, 1960

Page 4:

8. "In those states which do not have market demand prorationing, how does your company determine how much oil per day it will purchase from any well or lease?"

The amount of oil we buy in states where there is no state proration is determined by the month-to-month requirements of our customers for the particular grades and types of crude available.

As stated to you at the last hearing in New Mexico, we feel that the answers to these questions have no pertinent bearing on our demand for New Mexico crude oil. Moreover, in submitting answers to your questions we consider that most of the information is of a confidential nature and respectfully request that the Commission treat it as such.

Very truly yours,

*R. J. Pusticker*



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LA066 SSD032

1960 MAR 14 AM 10 01

L RWA027 PD=ROSWELL NMEX 14 951AMM=.

A L PORTER=

OIL CONSERVATION COMMISSION SANTA FE NMEX=

RE CASE 1922 REQUEST INDIANA OIL PURCHASING CO HAVE WITNESSES AVAILABLE WHO CAN TESTIFY AS TO PURCHASE PRACTICES AND ALL STATES IN WHICH IT PURCHASES WHERE MARKET DEMAND PRORATIONING IS NOT IN EFFECT. WE WISH TO DETERMIN AVERAGE PURCHASES PER WELL IN THESE STATES AND MOVEMENT OF OIL TO ULTIMATE REFINERIES MARKET=

JACK M CAMPBELL INDEPENDENT PRODUCERS AND ROYALTY OWNERS ASSN=.

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

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LA067 KB139

1960 MAR 31 AM 11 54

K RUA290 PD=FAX TULSA OKLA 31 1122AMC=

A L PORTER=

NEW MEXICO OIL AND GAS COMMISSION SANTA FE NMEX=

ON MARCH 3, 1960, WE ADVISED YOU THAT WE WERE FORCED TO REDUCE OUR PURCHASES IN MARCH DUE TO OUR SUPPLY SITUATION. SINCE THERE HAS BEEN NO IMPROVEMENT IN OUR POSITION, YOU ARE ADVISED THAT OUR PRORATION WILL CONTINUE DURING THE MONTH OF APRIL ON THE SAME BASIS AS WAS APPLICABLE IN MARCH. DURING APRIL, 1960, WE WILL LIMIT OUR PURCHASES OF CRUDE OIL FROM LEASES IN NEW MEXICO TO EIGHTY PERCENT OF ACTUAL JANUARY, 1960, RUNS EXCLUDING ANY PRORATION UNIT NOT CAPABLE OF

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

# CLASS OF SERVICE

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# WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

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MAKING MORE THAN 10 B/D=

R F PIELSTICKER PRESIDENT INDIANA OIL PURCHASING

CO=TX

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

# DOMESTIC SERVICE

Check the class of service desired;  
otherwise this message will be  
sent as a full rate telegram

FULL RATE TELEGRAM

DAY LETTER

NIGHT LETTER

# WESTERN UNION

1206 10-51

W. P. MARSHALL, PRESIDENT

# INTERNATIONAL SERVICE

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sent at the full rate

FULL RATE

LETTER TELEGRAM

SHIP RADIOGRAM

NO. WDS.-CL. OF SVC.

PD. OR COLL.

CASH NO.

CHARGE TO THE ACCOUNT OF

TIME FILED

Pl.

OIL CONSERVATION COMMISSION

11 a.m.

Send the following message, subject to the terms on back hereof, which are hereby agreed to

MARCH 14, 1960

INDIANA OIL PURCHASING COMPANY  
TULSA, OKLAHOMA

REQUEST THAT INDIANA HAVE WITNESS AVAILABLE WHO CAN TESTIFY AS TO ITS PURCHASE PRACTICES  
IN ALL STATES WHERE MARKET DEMAND PROPORTIONING IS NOT IN EFFECT. WOULD LIKE TO DETERMINE  
HOW PER WELL PURCHASES IN THOSE STATES COMPARE WITH SAME IN NEW MEXICO AND OTHER PROPORTIONED  
STATES.

A. L. PORTER, JR.  
OIL CONSERVATION COMMISSION

# Memo

From  
A. L. PORTER, JR.  
DIRECTOR

To: Governor Burroughs and  
Commissioner Morgan

Please note that the order is  
based on 83% instead of 80%.

In my conversation with Mr.  
Pielsticker this morning, I advised  
him that the Commission would allow  
the water flood projects to be  
prorated and that this would allow  
the purchasing company to take 83%  
of the January runs rather than 80%  
as they suggested. Mr. Pielsticker  
offered no objection.

March 4, 1960

OIL CONSERVATION COMMISSION  
P. O. BOX 871  
SANTA FE, NEW MEXICO

*copy  
1422*

March 4, 1960

Mr. Robert Pielsticker  
Indiana Oil Purchasing Company  
P. O. Box 891  
Tulsa, Oklahoma

Dear Sir:

We enclose herewith two copies of Emergency Order  
No. E-24 issued by this Commission on this date.

Very truly yours,

A. L. PORTER, Jr.  
Secretary-Director

ir/

Enclosures: (2)

*CCC  
Hobbs  
Artesian  
Docket Mailed  
March 7, 1960*

C  
O  
P  
Y

NO. 8-60

DOCKET: REGULAR HEARING MARCH 16, 1960

Oil Conservation Commission 9 a.m., Mabry Hall, State Capitol, Santa Fe, N.M.

- Allowable:
- (1) Consideration of the oil allowable for April, 1960.
  - (2) Consideration of the allowable production of gas for April 1960 from six prorated pools in Lea County, New Mexico; also consideration of the allowable production of gas from seven prorated pools in San Juan, Rio Arriba and Sandoval Counties, New Mexico.

CASE 1917: Application of Amerada Petroleum Corporation for permission to commingle the production from two separate pools. Applicant, in the above-styled cause, seeks permission to commingle the Monument-McKee Gas Pool condensate and Monument Pool oil production from all wells located on the Amerada State B-869 lease consisting of the SW/4 of Section 36, Township 19 South, Range 36 East, Lea County, New Mexico. Applicant proposes to separately meter only the Monument-McKee Gas Pool condensate, and to gauge the commingled production in common tankage.

CASE 1918: In the matter of the hearing called by the Oil Conservation Commission on its own motion to require Cactus Petroleum, Incorporated, and McWood Corporation to appear and show cause why they should not be required to purchase the Culwin Pool production from the following-described wells in Eddy County, New Mexico:

Hale and Hale Federal Well No. 1, Unit G, Section 1, Township 19 South, Range 30 East.

Hale and Hale Federal Well No. 2, Unit B, Section 1, Township 19 South, Range 30 East.

CASE 1919: Application of Rice Engineering & Operating, Inc., for adoption of a Form 120-A to be used in reporting salt water disposal operations. Applicant, in the above-styled cause, seeks an amendment of Rules 1119, 704, and 1103 to adopt a Form 120-A to be used by operators of salt water disposal wells in reporting salt water disposal operations.

CASE 1920:

Southeastern New Mexico nomenclature case calling for an order for the creation of a new pool and the extension of existing pools in Chaves, Eddy, Lea, and Roosevelt Counties, New Mexico.

- (a) Create a new pool designated as the Buttom Mesa-San Andres Pool, and described as:

TOWNSHIP 7 SOUTH, RANGE 32 EAST, NMPM  
Section 20: NE/4

- (b) Extend the Allison-Pennsylvanian Pool to include:

TOWNSHIP 8 SOUTH, RANGE 36 EAST, NMPM  
Section 35: SW/4  
Section 36: E/2 SW/4

TOWNSHIP 9 SOUTH, RANGE 36 EAST, NMPM  
Section 14: SW/4

- (c) Extend the Arrowhead Pool to include:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM  
Section 17: NW/4 NW/4

- (d) Extend the Atoka-Pennsylvanian Gas Pool to include:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM  
Section 27: N/2

- (e) Extend the Bagley-Pennsylvanian Pool to include:

TOWNSHIP 11 SOUTH, RANGE 33 EAST, NMPM  
Section 33: NE/4  
Section 34: NW/4

- (f) Extend the Blinbry Oil Pool to include:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM  
Section 29: N/2  
Section 30: NE/4

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM  
Section 26: NE/4 SE/4

3  
Docket No. 8-60

- (g) Extend the Bronco-Mississippian Pool to include:

TOWNSHIP 18 SOUTH, RANGE 38 EAST, NMPM  
Section 11: Lots 1 & 2 and W/2 NE/4

- (h) Extend the Brown Pool to include:

TOWNSHIP 10 SOUTH, RANGE 26 EAST, NMPM  
Section 22: SW/4 SE/4

- (i) Extend the Culwin-Queen Pool to include:

TOWNSHIP 19 SOUTH, RANGE 31 EAST, NMPM  
Section 6: SW/4

- (j) Extend the Dollarhide-Queen Pool to include:

TOWNSHIP 24 SOUTH, RANGE 38 EAST, NMPM  
Section 19: NW/4

- (k) Extend the Drinkard Pool to include:

TOWNSHIP 22 SOUTH, RANGE 38 EAST, NMPM  
Section 28: NW/4 SW/4

- (l) Extend the Empire-Abo Pool in Eddy County, to include:

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM  
Section 36: SW/4

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM  
Section 31: S/2  
Section 32: S/2

TOWNSHIP 18 SOUTH, RANGE 28 EAST, NMPM  
Section 4: NW/4  
Section 5: N/2  
Section 6: NE/4 and SW/4

- (m) Extend the Eumont Gas Pool to include:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM  
Section 8: E/2 SW/4 and SE/4

- (n) Extend the Justis-McKee Pool to include:

TOWNSHIP 25 SOUTH, RANGE 38 EAST, NMPM  
Section 19: NW/4

- (o) Extend the East Millman-Queen-Grayburg Pool to include:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM  
Section 15: NE/4

- (p) Extend the East Millman-Seven Rivers Pool to include:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM  
Section 21: NE/4  
Section 22: NW/4

- (q) Extend the South Paddock Pool to include:

TOWNSHIP 22 SOUTH, RANGE 38 EAST, NMPM  
Section 31: SE/4

- (r) Extend the South Vacuum-Devonian Pool to include:

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM  
Section 22: SE/4

CASE 1921:

Northwestern New Mexico nomenclature case calling for an order for the extension of existing pools in San Juan, and Rio Arriba Counties, New Mexico.

- (a) Extend the Aztec-Pictured Cliffs Pool to include:

TOWNSHIP 29 NORTH, RANGE 10 WEST, NMPM  
Section 33: SW/4

- (b) Extend the Pine Lake-Pictured Cliffs Pool to include:

TOWNSHIP 26 NORTH, RANGE 2 WEST, NMPM  
Section 29: W/2 & SE/4  
Section 32: E/2 & NW/4

- (c) Extend the South Blanco-Pictured Cliffs Pool to include:

TOWNSHIP 24 NORTH, RANGE 3 WEST, NMPM  
Section 18: S/2 (partial)



cket No. 8-60

(d) Extend the Blanco-Mesaverde Pool to include:

TOWNSHIP 26 NORTH, RANGE 6 WEST, NMPM  
Section 3: E/2

(e) Extend the Horseshoe Gallup Oil Pool to include:

TOWNSHIP 31 NORTH, RANGE 16 WEST, NMPM  
Section 27: SW/4 NW/4  
Section 34: NE/4 NW/4, N/2 NE/4 & SE/4 NE/4

(f) Extend the Verde-Gallup Oil Pool to include:

TOWNSHIP 31 NORTH, RANGE 14 WEST, NMPM  
Section 28: NW/4 & NW/4 NE/4  
Section 30: NE/4 SW/4

The following case will be heard at 9 a. m. March 17, 1960

CASE: 1922:

In the matter concerning purchaser prorationing by  
Indiana Oil Purchasing Company in all oil pools from  
which it purchases in Lea, Chaves and Eddy Counties,  
New Mexico.

ig/

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

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

CASE No. 1922  
Order No. R-1632

APPLICATION OF INDIANA OIL  
PURCHASING COMPANY FOR AN  
ORDER AUTHORIZING IT TO PRO-  
RATE THE PURCHASE OF CRUDE  
OIL IN NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on March 17, 1960, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 17th day of March, 1960, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That due to a decrease in refinery requirements for crude oil and resulting lack of sufficient storage capacity, Indiana Oil Purchasing Company will be unable, for an indefinite period of time, to purchase all oil authorized to be produced from the wells from which it purchases in the State of New Mexico. During this period, Indiana Oil Purchasing Company's purchases will be in an amount equal to 80 percent of its January purchases.
- (3) That Indiana Oil Purchasing Company should be required to make its 20 percent reduction in purchases of oil proportionately among all proration units from which it purchases, including proration units within any waterflood project; provided, however, that Indiana Oil Purchasing Company should not be allowed to reduce its purchases from any proration unit to an amount less than 10 barrels daily if the unit is capable of producing that amount.
- (4) That in order to preclude premature abandonment, Indiana Oil Purchasing Company should be required to make 100 percent purchases from proration units with a daily oil production of 10 barrels or less.

-2-

CASE NO. 1922  
Order No. R-1632

IT IS THEREFORE ORDERED:

(1) That Indiana Oil Purchasing Company be and the same is hereby authorized to reduce its purchases of oil in the State of New Mexico to an amount equal to 80 percent of its January, 1960, purchases.

PROVIDED HOWEVER, That Indiana Oil Purchasing Company shall make its reduction in purchases of oil proportionately among all proration units from which it purchases, including proration units in any waterflood project.

PROVIDED FURTHER, That Indiana Oil Purchasing Company shall not reduce its purchases from any proration unit to an amount less than 10 barrels daily, provided that the unit is capable of producing that amount.

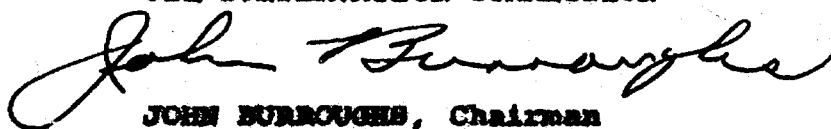
PROVIDED FURTHER, That Indiana Oil Purchasing Company shall purchase 100 percent of the oil produced from any proration unit which produces 10 barrels of oil or less daily.

(2) That Indiana Oil Purchasing Company shall appear and show cause on April 13, 1960, why continued purchaser proration is necessary.


(3) That the effective date of this order is 7 o'clock a.m., Mountain Standard Time, March 17, 1960.

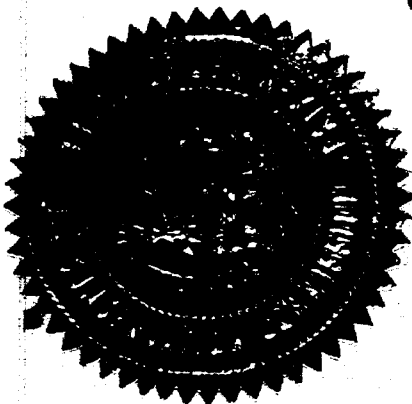
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

  
JOHN BURROUGHS, Chairman

  
MURRAY H. MORGAN, Member

  
A. L. PORTER, Jr., Member & Secretary



SEE/

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER CONCERNING  
PURCHASER PRORATION BY INDIANA  
OIL PURCHASING COMPANY IN LEA,  
EDDY, AND CHAVES COUNTIES,  
NEW MEXICO

EMERGENCY ORDER No. E-24

NOW, on this 4th day of March, 1960, the Oil Conservation Commission of New Mexico, a quorum being present, having considered the application of Indiana Oil Purchasing Company for an emergency order and being fully advised in the premises,

FINDS:

(1) That an emergency exists which requires the promulgation of an order by the Commission without notice and hearing.

(2) That due to a decrease in refinery requirements for crude oil and resulting lack of sufficient storage capacity, Indiana Oil Purchasing Company will be unable, for an indefinite period of time, to purchase all oil authorized to be produced from the wells from which it purchases in the State of New Mexico. During this period, Indiana Oil Purchasing Company's purchases will be in an amount equal to 83 percent of its January purchases.

(3) That Indiana Oil Purchasing Company should be required to make its 17 percent reduction in purchases of oil proportionately among all proration units from which it purchases, including proration units within any waterflood project; provided, however, that Indiana Oil Purchasing Company should not be allowed to reduce its purchases from any proration unit to an amount less than 10 barrels daily if the unit is capable of producing that amount.

(4) That in order to preclude premature abandonment, Indiana Oil Purchasing Company should be required to make 100 percent purchases from proration units with a daily oil production of 10 barrels or less.

IT IS THEREFORE ORDERED:

(1) That Indiana Oil Purchasing Company be and the same is hereby authorized to reduce its purchases of oil in the State of New Mexico to an amount equal to 83 percent of its January, 1960, purchases.

PROVIDED HOWEVER, That Indiana Oil Purchasing Company shall make its reduction in purchases of oil proportionately among all proration units from which it purchases, including proration units in any waterflood project.

-2-  
Emergency Order No. E-24

PROVIDED FURTHER, That Indiana Oil Purchasing Company shall not reduce its purchases from any proration unit to an amount less than 10 barrels daily, provided that the unit is capable of producing that amount.

PROVIDED FURTHER, That Indiana Oil Purchasing Company shall purchase 100 percent of the oil produced from any proration unit which produces 10 barrels of oil or less daily.

(2) That Indiana Oil Purchasing Company shall appear and show cause on March 17, 1960, why continued purchaser proration is necessary. *April 13*

(3) That the effective date of this order is 7 o'clock a.m., Mountain Standard Time, March 4, 1960. *March 17th*

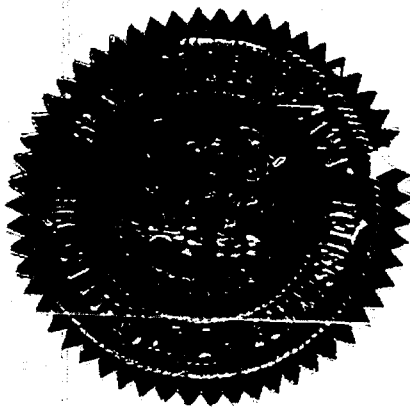
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*John Burroughs*  
JOHN BURROUGHS, Chairman

*Murray E. Morgan*  
MURRAY E. MORGAN, Member

*A. L. Porter, Jr.*  
A. L. PORTER, Jr., Member & Secretary



GOVERNOR  
JOHN BURROUGHS  
CHAIRMAN

State of New Mexico  
Oil Conservation Commission

LAND COMMISSIONER  
MURRAY E. MORGAN  
MEMBER



P. O. BOX 871  
SANTA FE

STATE GEOLOGIST  
A. L. PORTER, JR.  
SECRETARY DIRECTOR

March 29, 1960

Mr. R. F. Pielsticker  
Indiana Oil Purchasing Company  
P. O. Box 591  
Tulsa, Oklahoma

Dear Sir:

This letter is in reference to the purchaser prorationing by your company now in effect in New Mexico. First let me say that this Commission recognizes that it sometimes becomes necessary for a purchaser to reduce its takes and that the only alternative is purchaser prorationing. Since it has been established that in your case it was necessary, we appreciate the fact that you have made your reductions across the board in all of the states in which you purchase. This Commission feels, however, that as long as the purchaser prorationing is in effect the purchasing company should be required to appear at our monthly allowable hearings and keep us informed as to all conditions which we deem to have a bearing on the matter. In this connection we will, in the future, require any company that is prorating its purchases below the assigned allowables to supply us with information similar to that called for in the questions set out below.

Prior to the April 13th hearing in Hobbs you will be expected to supply us with the following information, all of which we deem relevant and pertinent to the case:

1. What is the total amount of crude oil (in barrels) purchased by your company in each state in which it purchases for each month from and including January, 1960?
2. What was the total number of wells from which your company purchased crude oil in each state from and including January, 1960?

Mr. R. F. Pielsticker

March 29, 1960

3. What is the total amount of crude oil (in barrels) for which your company nominated in each state for each month from and including January, 1960?

4. What percentage of crude oil purchased by your company in January, 1960, was produced by Pan American Petroleum Corporation or any other company affiliated with Standard Oil Company (Indiana)?

5. What were the crude runs to refineries owned or operated by Standard Oil Company (Indiana) or its affiliates during each month from and including January, 1960?

6.-A What were the crude oil and four major product stock levels held by Standard Oil Company (Indiana) and its affiliates at the beginning of each month from and including January, 1960?

B. What portion of each of these stocks constitutes pipeline fill, tank bottoms, and other normally unavailable inventory?

7.-A What was the level of stocks of crude oil and four major products desired by Standard Oil Company (Indiana) and its affiliates at the beginning of each month from and including January, 1960?

B. What portion of each of these desired levels would constitute pipeline fill, tank bottoms, and other normally unavailable inventory?

8. In those states which do not have market demand prorationing, how does your company determine how much oil per day it will purchase from any well or lease?

We feel that most if not all of this information can be readily determined by the purchasers from information that they are now supplying to one or more agencies of the state government in all states where they purchase oil. Therefore we do not consider this information to be of a confidential nature.

ROUGH DRAFT  
OEP:esr  
March 17th

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

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

CASE NO. 1922  
Order No. B-1632

APPLICATION OF INDIANA OIL  
PURCHASING COMPANY FOR AN  
ORDER AUTHORIZING IT TO PRO-  
RATE THE PURCHASE OF CRUDE  
OIL IN NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 7 o'clock a.m. on  
March 17, 1960, at Santa Fe, New Mexico, before the Oil Con-  
servation Commission of New Mexico, hereinafter referred to  
as the "Commission."

NOW, on this \_\_\_\_\_ day of March, 1960, the Commission,  
a quorum being present, having considered the testimony pre-  
sented and the exhibits received at said hereing, and being  
fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required  
by law, the Commission has jurisdiction of this cause and the  
subject matter thereof.
- (2) That due to a decrease in refinery requirements for  
crude oil and resulting lack of sufficient storage capacity, Indiana  
Oil Purchasing Company will be unable, for an indefinite period of  
time, to purchase all oil authorized to be produced from the wells  
from which it purchases in the State of New Mexico. During this  
period, Indiana Oil Purchasing Company's purchases will be in an  
amount equal to 80 percent of its January purchases.
- (3) That Indiana Oil Purchasing Company should be required  
to make its 20 percent reduction in purchases of oil proportionately  
among all proration units from which it purchases, including prora-  
tion units within any waterflood project; provided, however, that  
Indiana Oil Purchasing Company should not be allowed to reduce its  
purchases from any proration unit to an amount less than 10 barrels  
daily if the unit is capable of producing that amount.
- (4) That in order to preclude premature abandonment, Indiana  
Oil Purchasing Company should be required to make 100 percent pur-  
chases from proration units with a daily oil production of 10  
barrels or less.



CASE No. \_\_\_\_\_

Order No. \_\_\_\_\_

IT IS THEREFORE ORDERED:

(1) That Indiana Oil Purchasing Company be and the same is hereby authorized to reduce its purchases of oil in the State of New Mexico to an amount equal to 80 percent of its January, 1960, purchases.

PROVIDED HOWEVER, That Indiana Oil Purchasing Company shall make its reduction in purchases of oil proportionately among all proration units from which it purchases, including proration units in any waterflood project.

PROVIDED FURTHER, That Indiana Oil Purchasing Company shall not reduce its purchases from any proration unit to an amount less than 10 barrels daily, provided that the unit is capable of producing that amount.

PROVIDED FURTHER, That Indiana Oil Purchasing Company shall purchase 100 percent of the oil produced from any proration unit which produces 10 barrels of oil or less daily.

(2) That Indiana Oil Purchasing Company shall appear and show cause on April 13, 1960, why continued purchases of proration is necessary.

(3) That the effective date of this order is 7 o'clock a.m., Mountain Standard Time, March 17, 1960.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

-3-

Mr. R. F. Pielsticker

March 29, 1960

Your usual cooperation will be greatly appreciated. We would also like to take this opportunity to commend Indiana Oil Purchasing Company for their cooperation in the past in the matter of running back allowable when market conditions have allowed it to do so.

Very truly yours,

A. L. PORTER, Jr.  
Secretary-Director

ALP:ir

cc:

Mr. Jason Kellahin - Santa Fe  
Mr. P. W. Perryman, P. O. Box 591, Tulsa, Oklahoma  
Governor John Burroughs  
Honorable Murray E. Morgan, Commissioner of Public Lands  
Mr. R. G. McPheron, Box 176, Hobbs, New Mexico

## NEW MEXICO OIL CONSERVATION COMMISSION

Regular Hearing

Santa Fe, NEW MEXICO

REGISTERHEARING DATE March 17, 1960TIME: 9 a.m.

NAME:	REPRESENTING:	LOCATION:
Ed Robinson	Texaco Inc.	Midland
<del>John Langston</del>	<del>Great Western</del>	<del>MIDLAND</del>
Elmer Stout	Bridge	Graham
R. L. Elkins	Shell Oil Co.	Roswell, N.M.
Henry E. Meadows	Hum Oil & Ref	Midland, Texas
E. T. Adams	TPC & O Co	St. Worth
<del>W. B. Perryman</del>	<del>Indiana Oil Purchasing</del>	<del>Tulsa</del>
R. F. Belcher		
Jack M. Campbell	Campbell + Russell	Roswell NM
R. S. Christie	American	Tulsa
L. L. Shremmer	Indiana Oil Ref. Co.	Midland
D. C. Capps	Coronado	Monument, N.M.

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
March 17, 1960

REGULAR HEARING

IN THE MATTER:

Concerning purchaser prorationing by Indiana  
Oil Purchasing Company in all oil pools from  
which it purchases in Lea, Chaves and Eddy  
Counties, New Mexico.

CASE 1922

BEFORE:

Mr. A. L. Porter, Jr.  
Mr. Murray Morgan  
Governor John Burroughs

TRANSCRIPT OF HEARING

MR. PORTER: The hearing will come to order, please.  
The case to be considered this morning is No. 1922.

MR. PAYNE: Case 1922: In the matter concerning purchaser prorationing by Indiana Oil Purchasing Company in all oil pools from which it purchases in Lea, Chaves and Eddy Counties, New Mexico.

MR. KELLAHIN: If the Commission please, Jason Kellahin of Kellahin and Fox, Santa Fe, representing the Applicant. We have associated with us Mr. P. W. Perryman, a member of the Oklahoma Bar, who will present the case.

MR. PERRYMAN: Gentlemen, as you know, under date of March 3rd, 1960, we advised you by wire that due to substantial reductions in requirements at refineries to which this crude oil

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moves, it would be necessary for us to reduce our purchases to eighty percent of our January runs, excluding those wells not capable of making more than ten barrels per day and waterflood projects.

Since this Commission has heretofore ordered us to prorate in such a manner, we endeavored to abide by the Commission's wishes and consequently calculated that we could provide a market on the basis of eighty percent of our January runs as set forth in our wire of March 3rd, 1960.

On March 7th we received this Commission's Emergency Order No. E-24. This Emergency Order provided for a reduction equal to eighty-three percent of our January purchases including waterflood projects and excepting any proration unit not capable of making more than ten barrels per day. Said Order further provided that a hearing on this matter would be set for today.

Mr. R. F. Pielsticker, our President, is present and will supply you with the facts necessitating our reduction in purchases. He will also try and answer any questions the Commission may have. Mr. Pielsticker, if you will be sworn.

(Witness sworn.)

R. F. PIELSTICKER

called as a witness, having been first duly sworn on oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. PERRYMAN:



Q Would you please state your name?

A I am R. F. Pielsticker.

Q You are associated with Indiana Oil Purchasing Company?

A Yes.

Q What is your position?

A President of that company.

Q How long have you been President?

A Approximately nine years.

Q In what business is Indiana Oil Purchasing Company?

A It is in the business of buying and selling crude oil.

Q As President of Indiana Oil Purchasing Company, you are familiar with that company's markets for the disposition of the crude oil that it buys, are you not?

A Yes.

Q Will you briefly tell the Commission the current status of those markets?

A Commencing this month we found that due to loss of market we would be going into inventory by approximately 100,000 barrels per day, based on our normal method of purchasing. It was determined that we could not afford to continue purchasing on this same basis. We had received additional reductions in both January and February -- I believe the figure was approximately 33,000 barrels per day in January and an additional 56,000 barrels per day in February. These affiliated refinery reductions, coupled with the overall situation, that is, the excessive supply and our inability



to dispose of this crude to other purchasers, leave us no alternative but to adjust our purchases to our market. As previously stated, we calculated this market to be eighty percent of our January purchases and therefore reduced our purchases for March by twenty percent in each state in which we purchase. We believe this twenty percent reduction should apply to every proration unit which can be legally prorated. Further, we believe it is entirely within the province of this Commission to advise us of the manner in which we should prorate. However, conversely, we feel that we are the only one in the position of knowing what our markets are and how much crude we can purchase. In looking at the overall picture, that is, our supply in each state in which we purchase, and feeling that purchases in each state should be treated alike, we came up with the twenty percent reduction.

Now our January actual purchases in New Mexico were 55,571 barrels per day. A twenty percent curtailment would amount to approximately 11,014 barrels per day.

MR. PERRYMAN: Does the Commission have any question?

MR. PORTER: Mr. Payne.

CROSS EXAMINATION

BY MR. PAYNE:

Q Mr. Pielsticker, I believe you stated that what Indiana is doing is prorating the same in all states?

A That is correct. I might elaborate a little bit on that, that when we made the reduction we made it eighty percent



across the board in all of the eleven states in which we purchase, we are prorating waterfloods, high water wells and the like. In other words, we have cut it twenty percent across the board, Kansas, Oklahoma, Texas, New Mexico, everywhere where we purchase, Wyoming, Colorado, the states where there are no proration laws.

Q You didn't exempt wells in Oklahoma that made seventy-five percent water?

A No, sir, we did not.

Q You are prorating waterfloods in Oklahoma?

A Yes, sir.

MR. PAYNE: Thank you.

MR. PORTER: Mr. Campbell.

MR. CAMPBELL: If the Commission please, I am J. M. Campbell, Roswell, New Mexico. I would like to enter an appearance in this case on behalf of the Independent Producers and Royalty Owners Association of New Mexico, and ask Mr. Pielsticker some questions in connection with this matter.

MR. PORTER: You may proceed.

BY MR. CAMPBELL:

Q Mr. Pielsticker, is Indiana Oil Purchasing Company a subsidiary of Standard Oil of Indiana?

A It is a wholly owned subsidiary.

Q And are you an official of the Standard Oil Company of Indiana?

A No, sir.





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Q Is all of the domestic oil that is purchased by your purchasing company delivered to refineries operated by Standard Oil Company of Indiana or its subsidiaries?

A All the domestic oil we purchase? No, sir, approximately sixty-five percent of it is delivered to Standard Oil Company of Indiana, parent company and subsidiaries, the balance of it to outside customers or spot sales.

Q Does the sixty percent provide the full amount of the crude oil used by your companies or subsidiaries?

A Domestic crude, yes.

Q Is the balance of the requirements of your refineries supplied by imported crude?

A That is correct.

Q What is the total amount of oil that your company refineries ran in the month, or purchased in the month of January, 1960?

A Domestic sources? Total domestic crude?

Q Yes.

A Let me give you an estimate on it which will be reasonably close of 850,000 barrels per day.

Q Domestic crude?

A Domestic crude. That is total purchases of domestic crude.

Q Of your refineries?

A No, of our total purchases, not of our refineries but



our refineries and our customers.

Q That's the purchases of Indiana Oil Purchasing Company?

A That is correct.

Q What I was asking you, do you have the figure on the total amount of crude oil which the refineries of Standard Oil of Indiana or subsidiaries purchased in the month of January, 1960?

A You are talking about refinery runs?

Q Yes.

A I can give you a rough figure, without looking it up. Approximately 645,000 barrels per day. That's an approximate number. Now if you want the exact number, I think I can find it. Is that reasonably close for you?

Q I don't know what the exact number is. If you tell me that is very close to the exact number --

A Yes, that is quite close to it.

Q Then how much imported oil was acquired by your refineries?

A Approximately 33,000 barrels per day, which is our import quota.

Q Has your company, to your knowledge, recently requested an increase in the import quota?

A Yes, they requested an increase based on a hardship case, in that our quota was based on a basis during a time when several of our refineries were on strike.

Q Has that request for increase in import quota, was that

to be effective for the first six months of 1960?

A The request was that, yes, but it was denied.

Q What amount per month of increase did you request?

A Well, I'm not an expert on imports. I have nothing to do with imported foreign crudes whatsoever, so the figures that I give you are from memory only. As I recall, some 1200 barrels per day.

Q Which would be approximately 40,000 barrels a month?

A That's right.

Q How do you reconcile that with the statement that you made that you are going to stocks with 100,000 barrels of domestic crude, and that's what justifies the purchase prorationing?

A As I say, I'm not an expert on foreign crudes, but certainly we have to be competitive on the East Coast with people who are bringing in low cost foreign crudes, refining them and putting the products into a market in which we are their competitors. In other words, we think we should have our fair share of whatever the quotas on imported crudes are.

Q So your company considers there is a considerable competitive advantage to use imported crude in lieu of domestic crude?

A Yes, certainly.

Q If you were not able to obtain the imported crude, would you then have to use the domestic crude?

A That is correct. You would either have to use domestic crude or you have to make exchanges for somebody else's quota of



foreign crude to run into the plants.

Q To that extent, the amount of crude you are importing and requesting to import would supplement your demand for domestic crude oil?

A That is correct.

Q Where are the refineries located to which your domestic crude oil is moving at the present time?

A Domestic of parent and subsidiaries is Whiting, Indiana; Texas City, Texas; Sugar Creek, Missouri; Wood River, Illinois; Casper, Wyoming; Bismarck, North Dakota; Salt Lake City, Utah.

Q To which of those refineries does the New Mexico crude oil move?

A It could move to Texas City, Sugar Creek, Wood River, Whiting, Indiana -- and I forgot Neodesha, Kansas. It could move to any of those refineries.

Q Does your company maintain records to trace the movement of crude oil out of one state into particular refineries?

A Not exactly, no. For instance, your New Mexico sweet crude goes into a common stream with Texas crudes, Kansas crudes, and Oklahoma crudes. It is very, very difficult to say that a barrel of New Mexico crude arrives at Sugar Creek, Wood River, or Whiting.

Q Mr. Pielsticker, who makes the determination for your purchasing company of the amount of oil you will purchase in each particular state in which you do purchase?

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A Myself and my staff.

Q In what states are you presently purchasing, the eleven states to which you refer, please?

A Montana, Wyoming, Colorado, Nebraska, Utah, Kansas, Oklahoma, Texas, New Mexico, Louisiana and Arkansas.

Q Of those states, the states that are prorating in relation to market demand are Texas, New Mexico, Oklahoma, Louisiana --

A Kansas.

Q -- Kansas --

A And Arkansas.

Q -- and Arkansas, is that correct?

A That is correct, North Dakota.

Q And North Dakota?

A North Dakota, excuse me.

Q How do you arrive at the amount of oil which you will purchase from each of those states, or nominate in the case where nominations are required?

A That's the same question that Commissioner Murray asked me in Texas and which I had considerable trouble with. He asked me this question, "what is your exact formula that you use in buying crude oil in one state versus another one?" We don't have one. We don't have one. There is no such thing as an exact formula. Our purchases, let's take the State of New Mexico, for instance, have grown like Little Topsy, as I told him. Service Pipe Line came in here some years ago with a line. We started to buy crude.



Maybe we were the only purchaser in a certain area. That area grew rapidly; we as the only purchaser took on all of the connections, and as a result that just continued to grow. Maybe there's another pool in Texas where it declined, and our purchases of New Mexico crude took over Texas purchases. As a result, over a period of years, we have established somewhat of a pattern of buying "X" barrels of crude in each of the states.

Now as to an exact formula, why, we are buying 55,000 barrels a day -- we were, let's say, in January, versus 40,000 barrels a day in Kansas. There is no answer to it. We've been in the business for some seventy years buying crude oil in these states, and it's just grown up as a pattern.

Q What do you do with regard to the purchasing of crude oil in new states such as Wyoming and Montana?

A Well, Wyoming is not a new state, neither is Montana. Take the Jewelsburg Basin of Colorado, a portion of Wyoming and Nebraska, which has only been in production a matter of a very short time compared to New Mexico and Oklahoma. Those states come in with production; by being producing states we have pipe lines as do others across those states. We feel that those states are entitled to their reasonable share of the market demand for crude oil, whatever it is. As a result, we go into those states as a buyer.

Q What I'm trying to determine is how you decide what is their reasonable share.



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A I can't tell you. I can't tell you, because there's no yardstick. You are asking the same questions that Commissioner Murray asked, and I refuse to answer them because there isn't -- I can't sit down and say, "We will buy twenty percent of your reserves, or twenty percent of this."

Q You have just stated that you feel that each state is entitled to its reasonable share of your total market demand?

A That's right, and that is our judgment.

Q That is your judgment. What I'm asking you is how you arrived at that decision on the basis, take the Jewelsburg Basin, how do you determine how much you will take per well from the Basin?

A We don't determine how much we will take from the well. We look at what our market demand is overall. We nominate down here and we have a market demand for so many barrels of crude to the State of New Mexico and the Commission has the authority to tell us where we're going to buy it, or how much we are going to buy per well.

Q That is true in New Mexico. That isn't true in the Basin?

A That's right, because they left it to our judgment up there.

Q What factors do you consider in using your judgment?

A Total barrels, regardless of the number of wells. If we have a market that is reasonable for 15,000 barrels per day of



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Nebraska crude, that's what we buy.

Q What did you purchase from the Basin Area in January, 1960?

A That is a question that we do not propose to answer at the moment. We think the figures that we buy from other states are confidential. We have not given them to the Texas Railroad Commission; we have not given them to the Kansas Commission; and we do not propose to make them a matter of public record, alone. When the industry does it, that's fine with us.

Q What is it that makes that information confidential in states that do not have market demand prorationing?

A We just don't think it has any bearing on what the market demand for New Mexico crude is. We have a demand for so many barrels of crude in New Mexico, and that's what we will buy and no more.

Q I'm not trying to argue with you, but I can't follow your logic. You have stated that in the opinion of your company it is proper that each state, irrespective, apparently, of its statutory requirements --

A That's right.

Q -- have a reasonable share of the market that you have for crude oil. How can you then say that it is not of consequence to individual states to determine whether in fact that is the case?

A I think it has nothing to do with what our market demand for New Mexico crude is. In other words, we run our own business





with respect to what barrels of crude we think we have a market demand for in New Mexico.

Q Mr. Pielsticker, it's true that it's your own business. Do you not think when you come before this Commission, to justify taking a position different than other purchasers in this State, that it does become a matter of public consequence?

A No, sir.

MR. PERRYMAN: Certainly not.

A I don't think so at all. I hope you don't discuss the increase of purchases of New Mexico versus other states.

Q We have heard the answer here, Mr. Pielsticker.

MR. CAMPBELL: If the Commission please, I would like at this point to advise the Commission that I'm going to ask a series of questions to Mr. Pielsticker in connection with the practices of their company in other states than New Mexico. I do that on the basis that in our opinion that is a matter of very definite relevancy to the attitude the State of New Mexico takes in this case where purchasers' prorationing is involved, as well as in the interpretation of the market demand statutes in this State.

In the event Mr. Pielsticker is unable or unwilling to answer these questions, I intend to request the Commission to ask the company to furnish the Commission and this record with the information. If the company does not see fit to do it, I am going to ask the Commission to issue its subpoenas to obtain



the information, because I think it's extremely pertinent, in the light of the market situation.

MR. PERRYMAN: We object to the series of questions as Mr. Campbell has proposed to ask. We have already stated that we do not feel it is within the jurisdiction or province of this Commission to determine our purchasing policy in other states.

MR. CAMPBELL: May I proceed with my questions?

MR. PORTER: Just a minute, Mr. Campbell.

(Whereupon a discussion off the record was held.)

MR. PORTER: The Commission will overrule your objection to the questions.

MR. MORGAN: I might ask you a question here. As I recall your testimony a moment ago -- excuse me, Mr. Campbell -- you said that you thought that twenty percent should be enforced from all sources in the eleven states from which you purchase?

A That is correct.

MR. MORGAN: Is it being done?

A Yes, sir. We have taken across the board on January runs everywhere where we purchase, whether it's the Rocky Mountains, Texas, Louisiana, New Mexico, and so forth; and we have not made an exception to it to date. The only exceptions we have made, when I say that, let's take a small lease where there were no runs in January. They may run it every other month or something. Then we have taken the last previous month's runs that we have prior to January, and taken eighty percent of those. We have not made



any exceptions.

MR. MORGAN: And so far no state has put an obstacle, an insurmountable obstacle in your way to do that prorationing down to eighty percent?

A No, sir; no, sir. No, sir.

MR. PORTER: You say this twenty percent is based on your actual January takes or the latest takes that you have made?

A No, it's based on January takes or on those few exceptions, Mr. Porter, on a lease, that may run crude only every other month. If there were no January runs, if they ran crude in December, eighty percent of the December run is a base of some kind.

MR. PORTER: Isn't it a fact that in all the states where you purchase that you report to some agency the amount of purchases that you made?

A Either a State agency or a State Tax Commission. I don't think there's an exception to that.

MR. PORTER: Then why should your purchases in those states be a matter of confidence?

A Because we don't think we should be forced to give our figures unless the entire industry is. We have a lot of competition, producers, and this, that, and the other thing, and we figure that that has no bearing whatsoever on our market demand for New Mexico crude as to what we're buying in Texas, Louisiana, or Arkansas, or so forth.



MR. PORTER: According to your present policy right now, what you buy in any state doesn't influence your purchases in any other state?

A It influences them overall-wise, because we can only handle so many barrels of such types of crude.

MR. PORTER: Mr. Campbell.

Q (By Mr. Campbell) Let's pursue this January, 1960, approach that you have taken. I assume that was taken because that's the last month for which you have had complete figures of what you purchased, is that correct?

A That is correct.

Q Don't you believe that the fairness and reasonableness of the prorationing that you do as a purchaser in various states depends on the status of production from units or wells in each of those states on January 1st, 1960?

A That's right.

Q So that if you are producing, assume you are producing from some wells in the State of Wyoming or Montana 400 barrels of oil a day under a non-prorated statutory set-up, and you are producing 37 barrels in the State of New Mexico, a twenty percent reduction is not relative.

A I don't recall of any place where we're buying 400 barrels per day per well.

Q Do you have the figures on what you are buying per well?

A No, I don't have, and I don't know that we can even

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compile them.

Q I beg your pardon?

A I don't know that we can even compile them.

Q How do you know that you are not purchasing that much?

A I said I don't recall of any place we are buying 400 barrels per day per well.

Q Then you must know what you buy per well per day, do you not?

A I would assume we could compile those figures, I do not have them.

Q What is the total amount of crude oil that you have purchased in barrels in each state in the eleven states that you purchased--

A I still say that is our confidential information and I will not answer the question.

Q May I complete the question and you can refuse or do whatever you wish. What is the total amount of crude oil in barrels purchased by you in each state for each month since and including May of 1959?

A My answer is the same, it is confidential information, I'll not answer it.

Q In January, 1960, what percentage of crude oil was received from your connections in each state in which you purchase from wells which are owned and operated by you or some of your affiliates?

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Q In January, 1960, what percentage of crude oil was received from your connections in each state in which you purchase from wells which are owned and operated by you or some of your affiliates?

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A My answer is the same on that.

Q Do you have that information?

A I could compile it. I do not have it here.

Q Could you compile the information with regard to the previous question I asked you, to which you objected to answering?

A Possibly. Possibly.

Q What are the companies from which you purchase crude oil in each of the states in which you purchase which are affiliates of your Standard Oil Company of Indiana?

A There's only one, Pan American Petroleum Corporation.

Q Do you have the daily production of Pan American Petroleum Corporation in the State of New Mexico for January, 1960?

A I do not have it with me.

Q Do you know what percentage of your purchases in the State of New Mexico in January, 1960, were from Pan American?

A I do not.

Q Do you have that information?

A I do not have it with me.

Q Could it be compiled?

A Certainly.

Q Maybe you gave me the answer to this question, but I don't believe you did. What percentage of the total crude oil which you are purchasing, domestic crude oil, is purchased in states not having statutes prorating oil to market demand?

A I do not have the figure with me.



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Q That figure would be available if the Commission required it?

A Yes.

Q If the Commission requested it, would you furnish it, or are you saying here as to the questions that I'm asking you, the ones that you objected to, that you refused to furnish the information?

A I would refuse to furnish it as a matter of public information.

Q So you would refuse to furnish it voluntarily to the Commission?

A That is correct.

Q What was your reason for your decision to institute the purchaser prorationing in the state?

A We had a lack of market of one hundred to one hundred twenty thousand barrels a day.

Q What was the crude runs to your refineries or affiliates for each month commencing with May 1959, to the present. Do you have those figures?

A I think I probably have them somewhere here. It will take me fifteen to twenty minutes to dig them out. Let me say this, that I gave you a figure of January runs, maybe this will answer your questions, of January runs of approximately 644,000 barrels per day. March scheduled runs are roughly 520,000 barrels per day. Does that help to answer your question without going





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into the details.

Q That helps to answer my question. I would like to ask you if you will furnish to the Commission for part of the record in this case the crude runs to your refineries in each of the months from May, 1959, inclusive, through your most recent figures?

A Yes, I have no objection to that.

Q When did you first determine that your situation was such that you would have to initiate purchaser prorationing?

A Late in February.

Q Had your stocks situation been getting worse over a period of several months?

A February was the bad month. January was not bad. February was definitely bad, and we anticipated in March, as I said, of going to storage without any proration, of somewhere between one hundred and one hundred twenty thousand barrels per day.

Q What occurred with regard to the market?

A Just a lack of demand from our customers.

Q Do you know what the reason was for that?

A Cuts in refinery runs; I mean that is an industry answer.

Q Do you know whether your company considered reducing refinery runs prior to February, 1960?

A We did reduce them. We reduced them 33,000 barrels a day in January, as I testified.



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Q Do you have the figures on your reductions for the previous months?

A No, I do not have.

Q Do you know whether you made any reduction in refinery runs prior to January, 1960?

A I am sure that we did, but as to the figures, I would have to check the records on them.

Q The figures that you have agreed to furnish the Commission would provide that information for each month, would they not?

A That is correct.

Q Do you have or will you furnish the Commission with the crude oil and four major product stock levels of your company at the beginning of each month from and including May, 1959?

A I can't see what pertinency there is to that. We furnished the Texas Railroad Commission figures, which we did yesterday.

Q I am asking that you will furnish the New Mexico Commission with those records.

A If the Commission asks me.

MR. CAMPBELL: I would like to ask the Commission if they will ask Mr. Pielsticker to furnish these figures for the record in this case.

Q (By Mr. Campbell) Those are furnished regularly to the Texas Railroad Commission, are they not?

A Only upon request.



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Q They are requested regularly, are they not?

A Well, let's see, we had two requests last -- we had a request in March of last year and then there were two others, I believe in, one in the first of November, and my recollection was that there was one other one; since November, one, until the March one at the hearing yesterday we have had no requests for those figures.

MR. PORTER: Mr. Pielsticker, the Commission will request that you make these figures available.

MR. PERRYMAN: We will have to take a look at the request.

A What figures, please, Mr. Porter?

Q (By Mr. Campbell) The question I asked, what were your crude oil and four major products stock levels at the beginning of each month since and including May, 1959.

A I have no objection to that.

MR. PORTER: It appears to me that is information that you do furnish the Railroad Commission upon request.

A Upon request we do, and I have no objection to furnishing you those figures.

Q (By Mr. Campbell) My next question is along the same lines. What were your company's desired levels of stocks, of crude oil and four major products at the beginning of the same months?

A We probably will have to calculate those, unless we happen to have the figures which we furnished to the Railroad



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Commission. They have made the same request, and we furnished those figures to them.

Q Don't you believe that you probably do have those records?

A If not, it won't be too hard to get.

Q Mr. Pielsticker, as I understand you, you are presently prorating your purchases in the State of New Mexico on the basis of a twenty percent reduction from your purchases in January, 1960.

A That's correct.

Q Except as to wells producing ten barrels of oil or less per day?

A That is correct.

Q You are recognizing that restriction in the emergency order of the Commission?

A Yes, sir.

Q Then you aren't at present complying with the emergency order in connection with purchasing eighty-three percent of your purchases in January, 1960, are you?

A No, sir, we aren't.

Q Do you know why the amount was increased from eighty percent, which was your request, to eighty-three percent?

A We think that in all fairness to the other states where we're purchasing oil, that we should treat everybody alike. We certainly can't see why we should buy eighty-three percent from New Mexico and only eighty percent in the other states.

Q Are you yourself aware of how the New Mexico Commission



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arrived at the eighty-three percent?

A Yes, I am.

Q What was the reason?

A The reason was that we thought at the time that we wired the Commission the same wire as the time before when we had to prorate because of strikes. I thought, Mr. Perryman and the lawyers were out of town, I thought it was either a rule of the Commission, or a part of the New Mexico law, in which you could not prorate waterfloods, and apparently I was wrong.

Q I think you were right, but that's neither here nor there at the moment.

A That's not for me to answer.

Q On that point we agree, Mr. Pielsticker, but nonetheless--

MR. PORTER: At this point, Mr. Campbell, I feel I should make this explanation. At the time the Commission entered the seventeen percent order instead of the twenty percent as requested by the Applicant in this case, it was our understanding that they were exempting waterflood in other states, and we thought if we restricted waterfloods here that the computations should be seventeen percent. But the testimony this morning, I believe, has brought out the fact that they did not exempt waterfloods or the high water producing wells that we had first, originally thought. You may proceed.

Q (By Mr. Campbell) From how many pools in New Mexico is your company the sole purchaser?



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A I can't answer that. I'm sure that's a matter of record with the Commission. I do not have that in detail.

Q Then I assume you would not have the detail as to in how many pools in New Mexico and which pools there are other purchasers than your company?

A No, I would not have.

Q You are aware, are you not, Mr. Pielsticker, that under New Mexico statutes and regulations, that a producer who has been prorated by his purchaser has the right at a future time to seek a back allowable to make up the production which has been lost?

A Yes, sir.

Q And your company has in the past, as I recall it, recognized the orders of the Commission which permitted making up back allowable?

A Yes, sir.

Q Are you prepared, so far as you now know, to do that in the future?

A In the future, yes, but when the future may be I don't know, depending upon our market demand for barrels of crude oil in the future.

Q Do you have any estimate as to how long you believe purchaser prorationing will be in effect in the State of New Mexico?

A No, sir, I do not.

Q Do you know how rapidly this reduction that you have made on your purchases will reduce your stocks to what you consider



to be the desired level?

A I do not.

Q Why are you not able to make that calculation?

A You say "reduce our stocks." Our purchaser prorationing at the moment is breaking us about even, and as we testified yesterday at the Texas Railroad Commission, our stocks are roughly a million nine hundred thousand barrels above desired levels at the moment.

Q That's stocks of crude and all products?

A No, that's crude oil, crude oil only.

Q How much, again, above the desired level?

A A million, nine hundred thousand barrels.

Q How much is this prorationing reducing your purchases throughout your states in which you purchase per month?

A How much?

Q Yes.

A Approximately 100,000 barrels per day.

Q You are aware, are you not, that the New Mexico Commission last month and again this month has reduced the allowable for top unit allowable for producing wells in the State of New Mexico?

A Yes, sir.

Q To what extent do you feel that that reduction will affect your position, Mr. Pielsticker?

A You mean in barrels per day?



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Q Yes, sir.

A I can't answer it. Maybe Mr. Shoemaker can, I can't.

Q Do you believe it will have any substantial effect on your position?

A Not substantial-wise, no. As I recall, the reduction has been something in the neighborhood of 3,000 barrels per day for each of the months. Somebody correct me if my figure is wrong. But of total, what was the State producing?

MR. SHOEMAKER: I think the hearing yesterday, I believe, was around 2,000 barrels in Southeastern New Mexico, isn't that what it amounted to, the top amount production of 2,000 barrels per day in actual production. I believe that was the figure.

A In answering your question, it would not be substantial on our part, I'm sure.

Q Have you made any calculation to determine what the top allowable would have to be in New Mexico for you to acquire the amount of oil that you presently desire to purchase in this state?

A I haven't.

Q I wonder if Mr. Shoemaker has made such calculation.

MR. SHOEMAKER: Excuse me.

MR. CAMPBELL: As to what the daily allowable, top unit allowable would have to be in New Mexico in order for your company to acquire the amount of oil you presently desire to purchase in this state.





MR. SHOEMAKER: I haven't made any such calculations, Mr. Campbell. Our nominations were 34,000, though, a reduction of six this last month. They were previously 40,000.

MR. CAMPBELL: In the previous month, or in January I believe the testimony was that you purchased some 56,000?

MR. PERRYMAN: 56,700 barrels.

MR. SHOEMAKER: We requested at least a ten to fifteen percent reduction last month at the hearing.

Q (By Mr. Campbell) Mr. Pielsticker, I would like to ask you another question or two about your practices in purchasing in states that do not prorate to market demand.

MR. PERRYMAN: Just a minute. We are going to object to those questions. We feel it's outside the jurisdiction of the Commission to determine anything but the market demands of New Mexico crude oil. We don't think this has anything to do with the New Mexico demands for crude.

MR. CAMPBELL: I would like to make my position clear on why I'm asking these questions. There are really two reasons. In the first place, month by month here we hear purchasing companies come in and in their testimony refer to the status of national stock levels of crude oil and products; it apparently is a factor in the basis on which they nominate and purchase in the State of New Mexico. If that is a factor in their determination not only as to general nominations, but certainly as to purchaser prorationing, it seems to us to be very pertinent.

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In the second place, the witness has testified that they constantly make an effort to reasonably allocate their total domestic demand between the states, and if they are attempting to do that and if in doing that they nominate "X" number of barrels in New Mexico and purchase "X" number of barrels in another state, it is pertinent, it seems to me, to the State of New Mexico to know what that relative situation is.

It is particularly pertinent to know when they're coming before this Commission for a special order authorizing them to prorate oil in New Mexico instead of the Commission prorating it under the statutes. I think it's very pertinent to the case here at hand.

MR. PORTER: Mr. Perryman, the Commission will overrule your objection. It is difficult to overrule an objection or determine what it should be, but I'm assuming that you are still objecting to this general line of questioning?

MR. PERRYMAN: That's correct, on the basis that it's outside the jurisdiction of this Commission.

MR. PORTER: Questions concerning other states?

MR. PERRYMAN: Right.

MR. PORTER: Objection overruled.

Q (By Mr. Campbell) Mr. Pielsticker, how much oil does your company purchase in each of the states in which you purchase oil from Pan American?

A How much by each of the states?



Q Yes, sir.

A I do not have those figures available.

Q Will you furnish that information or is that considered confidential?

A I think that is confidential information that has nothing to do with the subject at hand.

Q Can you give me the production, the production now by barrels, for each month, in the eleven states in which you purchase oil since and including May, 1959, in each state by wells operated by Pan American?

A I cannot.

Q Do you have that information available?

A I do not have.

Q Your company would not have it?

A My company would not have it.

Q One of the companies?

A I am sure that Pan American would have it, in the normal course of their business.

Q Do you know the highest rate of production of wells from which you purchase oil in the State of Wyoming?

A I do not.

Q Would your company have that information?

A Possibly. I would have to check the records.

Q Would you have that information with regard to the State of Montana?

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A My answer to the question is the same.

Q Would your answer, of course, be the same with regard to the State of Utah?

A Right, for any of the states in which we purchase.

Q Will you furnish that information to the Commission?

A I will not.

Q Where does the crude oil which you purchase in the State of Utah, where does it go?

A The State of Utah? It's a rather small amount, as far as I know I think it all goes to our Salt Lake refinery, the Utah Refining Company.

Q Where does the oil that you purchase in the State of Wyoming move?

A Some of it moves west to Salt Lake, and the balance into our Casper plant, and the balance of it into the other refineries to the East.

Q Is the destination of the oil you purchase in Montana essentially the same?

A Yes, some of the Montana crude could go west, depending on the demand of the Salt Lake plant. The balance of it would go east.

Q What would be the destination of the crude that you are purchasing from the Jewelsburg Basin?

A It would all be east, there's no physical way to move it west.



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Q Does a considerable portion move into the State of Kansas?

A Into the State of Kansas?

Q Into Kansas?

A Across Kansas, but none is refined in Kansas.

Q Where is it refined?

A Probably refined either at our Whiting, Indiana, plant; the Sugar Creek, Missouri, plant; or the Wood River, Illinois, plant.

Q Where does the oil that you purchase in the State of Nebraska destined?

A To the same destination, all the Jewelsburg Basin crude.

Q All the purchases you have in the State of Kansas go to the Kansas refinery?

A No, not Kansas. Your Kansas crude could go to Neodesha, the Kansas plant, or the Whiting, Wood River, or Sugar Creek refineries.

MR. CAMPBELL: I believe that's all the questions I have now. I would like to request, however, that the record remain open in this case until such time as the information which the company has agreed to furnish is furnished, and opportunity given for us to consider requesting that information which the witness has refused to make available be furnished upon subpoena.

MR. PORTER: At this time the Commission would like to know if anyone else has a question of Mr. Pielsticker, or if anyone

else has anything further to offer in the case.

MR. CAMPBELL: I would like to make a statement.

MR. PORTER: First I would like to excuse Mr. Pielsticker.

(Witness excused.)

MR. CAMPBELL: I desire to make a statement.

MR. PORTER: Go ahead, Mr. Campbell.

MR. CAMPBELL: I would like to say first that I'm sure it's quite apparent to the Commission, as it is to producers, that purchaser prorationing inevitably is going to adversely affect some correlative rights, and can and has in the past very seriously affected them, particularly with regard to pools from which a purchasing company is not the only purchaser and where another purchasing company continues to purchase the full amount of the allowable granted by the Commission from those wells. It is a rather hollow thing in most of the cases, I'm sure, to say that the wells from which this company or any other company establishing purchaser prorationing purchases have a right to make up the oil in the future -- the right without the ability is pretty meaningless, and a great many of the wells in New Mexico, as this Commission knows, are in the category between ten barrels per day and the top unit allowable, or they are so close to the top unit allowable that continuing production is going to bring them down to the point where it is impossible for them in the future to make up the oil that is lost to the offset operators by virtue of purchaser prorationing of any kind.

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It is also true, I think, that the same situation is quite obvious in connection with waterflood projects. The make-up provisions are pretty meaningless in that regard. So this is, it seems to me, an extremely serious situation. I'm not suggesting, or I would like to if I thought there was statutory authority for it, the Commission refuse to permit this, but it does seem that the Commission should use every caution to protect, insofar as possible, the correlative rights of the various producers in this State and protect the rights of the State insofar as it may be a royalty owner under those tracts that are prorated under purchaser prorationing. I think that in each of these cases the Commission should have available a pretty careful analysis of those fields in which purchaser prorationing is put into effect where there are other purchasers who continue to purchase the full amount of oil and where the wells in those pools cannot and probably will not in the future be able to make up back allowable; and perhaps they should give some consideration to reducing the allowable from the entire pool to a point where all purchasers are permitted to produce their fair share of the oil from that reservoir at some time.

That, of course, is a more drastic thing than perhaps is being recommended here, but certainly the oil is not lost to any producer or any royalty owner under those circumstances here. The purchasing company, I presume the Commission must know, we certainly don't, the pools in which this company is not the only purchaser. The extent of this problem, it seems to me, is important.



and should be in all the cases determined by the Commission.

Now on this occasion, when a major purchaser of oil in New Mexico -- I guess perhaps the largest purchaser of oil in New Mexico -- is imposing purchaser prorationing upon the State and its oil producers, it seems to us appropriate to try and analyze some of the conditions which have brought this situation upon us, and may bring it upon us in the future by this or other purchasing companies.

Certainly it cannot be said that those states, including New Mexico, which try to practice market demand prorationing are responsible. Recent statistics presented to the Interstate Oil Compact Commission reflect that Texas, Oklahoma and New Mexico have borne all of the recent curtailment of production of crude oil in this country. The first nine months of 1959, as compared with the first nine months of '58, have been borne by the same states. These states are called upon to bear the same proportion in the present curtailment as do other states which do not prorate at all or which pay only lip-service to it. If market demand prorationing is to survive, and it must if we are to have a stable industry and if the independent producer is going to survive, then we are obligated to try to find the causes of the instability which can lead to a condition of chaos such as existed many years ago before some oil-producing states had the wisdom and foresight to adopt market demand statutes.

It seems to us in our Association, in trying to analyze

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this situation, that those of us who are part of the industry have the obligation to put this "industry statesmanship" we talk about so much into practice. At the October, 1959, hearing before this Commission, a witness for a purchasing company -- not the one involved here -- was asked whether, in his opinion, there was a direct relationship between the status of stocks of refined products and the market demand for crude oil in the State of New Mexico. His answer was in the affirmative. He was then asked if the refined stocks in the country were excessive. Again his answer was in the affirmative. Finally he was asked if his company intended to do anything about it, and he said they were going to try. Only last week, or perhaps this week, I read in an oil publication where, commencing in February, for the first time, that particular company was reducing its refinery runs. The discouraging facts are that neither his company nor others having refinery operations have done anything soon enough to help the situation. Instead, in the apparent desire to show low per unit refinery costs, the situation has gone from bad to worse. The position that this company is taking and has to take is the tragic result of the piling up of refinery stocks. It doesn't solve the problem to attribute this to that old scapegoat - weather conditions. It is not in our opinion an Act of God. It's an act of our industry and only the industry can solve this portion of it. This Commission or any other Commission can't do much about it, but it should be recognized by this Commission and the public that



this is a critical factor in the picture.

The second factor we would like to mention is the importation of crude oil into this country, which has been brought out here today. continues to be a competitive factor that compels companies because of their competitive position and the tremendous competitive advantage of imported crude to adjust their whole domestic approach on how much crude oil they are able to bring into this country under the practice. There was a tendency on the part of a lot of us, when the Mandatory Imports Control was adopted, to assume that this particular problem was solved. This Commission no longer requests information from purchasing companies as to the amount of crude oil they are importing into this country. Everybody thought that when it had an opportunity to work then exploratory and drilling operations would increase and the domestic market situation would improve. This certainly has not been the case. The program is most commendable in that it recognizes the problem and it has put a lid on the growth of imports at the source, but it hasn't been enough. The Administrator, in the limits of his authority and under terrific pressure, has held the line, but the rate of imports of both crude oil and products into this country under most favorable competitive conditions has added to the supply problems of the industry and continue this slow-down in exploratory and drilling activity in the State of New Mexico. At least, it has been an important factor.

Finally, and this is why I have been asking the questions

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today, because I think it is an extremely important part of the ultimate picture of domestic supply and demand of crude oil in this country, we are facing a rapidly growing problem of oil coming onto the domestic market from states which do not prorate production in relation to market demand. We in New Mexico are particularly aware of this, as we sit helplessly by every month and hear the amount of crude oil being moved across the State of New Mexico, un-prorated crude oil from the State of Utah, which despite the tenseness of the market situation, has not been reduced in any substantial amount. As a matter of fact, if I could recall the figures correctly, the amount of oil moving last month was an increase over the previous month and it will be interesting to see what the amount is next month as additional companies complain about the general supply situation to regulatory Commissions in states which prorate to market demand. I realize that our Commission has attempted to convince some of our neighbors that they should, in the interest of conservation and the avoidance of chaos in this phase of the industry, adopt a market demand approach. It is not easy to make this point until the bad condition is already upon us, particularly if the oil industry, those people who operate in those states and purchase in those states, do not see fit to help.

Thus it seems to us that in these three areas of unnecessarily high product stocks, excessive imports and unprorated oil, here we find the true reasons for the hearing today.

We urge this Commission to continue to attempt to realist-



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ically administer market-demand prorationing in this State and not to yield to the temptation to set allowables higher than necessary in order to provide a fair share of the New Mexico oil to the national market. We do this in order to encourage this and other Commissions to try to maintain a stable condition in their own State in the face of these conditions that I have mentioned, particularly with regard to unprorated oil from other states. But at the same time we suggest that the Commission use its authority, directly and indirectly, first to encourage those in the industry having integrated operations to get and keep their own houses in order with regard to states; and to urge cut-backs in imports under the Mandatory Control Program; and, third, to encourage other states and industry representatives in them to recognize the urgent necessity for market demand statutes.

MR. PORTER: Does anyone else desire to make a statement?

MR. HAMPTON: John Hampton, representing Great Western Drilling Company.

Gentlemen, Great Western Drilling Company produces both primary and secondary oil in New Mexico. As the Commission is well aware, we are operating at the present time two waterflood projects in the Caprock Area, and we are installing a third waterflood project here. None of these projects that we operate, waterfloods that we operate in New Mexico enjoy a capacity allowable. Two of these projects are operated under the Commission revised Rule 701, and the other project operates under a unit allowable.



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Gentlemen, these projects are designed and operated to stay within those allowables. I believe the Commission recognizes that a waterflood project has to be operated somewhat different from primary operations. I believe that's evidenced by the fact that you do have a special allowable and a rule regulating waterflood projects. Certainly we feel that if an operator can be called up and told two or three days ago, "We are prorating your waterflood project to eighty percent of what we took a couple or three months ago," we feel that ultimate oil will be lost because of the very nature in which a waterflood project has to be operated.

Of course, we also find ourselves in somewhat the same situation Indiana said they were in a while ago. We can contemplate an emergency situation occurring in a waterflood where two or three months ago you didn't have a response, but in the month that we decided to be prorated, a response develops and what can you do with the oil? We feel there could be a loss of ultimate recoverable oil.

We don't think this particular order is going to affect our projects, but we are worried about the precedent being set in New Mexico. We thought that part of the reason for the adoption of the new Rule 701 in the State of New Mexico was that a waterflood would have an allowable in which he could operate. We understood the Commission's testimony at the hearing to the effect that one of the reasons for setting this special allowable for a waterflood was so waterfloods could be designed and operated under



this Rule.

Gentlemen, we submit that that's what we're trying to do in all cases with the New Mexico Commission, is cooperate to the fullest. We do, however, feel that its arbitrarily or not arbitrarily prorating a waterflood could cause a serious loss in ultimate recovery.

MR. PAYNE: I would like to mention at this time, it's my understanding that Indiana Oil Purchasing Company doesn't purchase oil from any waterflood project which is restricted.

MR. HAMPTON: That is not correct.

MR. PAYNE: They do purchase in some of the prorated floods?

MR. HAMPTON: They purchase from us, yes.

MR. PORTER: Is that one of your floods which was instituted on a unit basis prior to the new rules?

MR. HAMPTON: Yes, sir.

MR. PAYNE: That is a capacity flood, Mr. Hampton.

MR. HAMPTON: It doesn't enjoy capacity allowable.

MR. PAYNE: It does if you wish.

MR. STREET: My name is E. Bruce Street, and I represent the Graridge Corporation. I think before I begin my statement, which will be remarks to the Commission, I ought to clarify our position in the industry.

I think we have been kind of forced into the forefront of the waterflood picture by virtue of our first request for

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capacity production in the case of the Caprock, our Caprock flood. By virtue of that hearing, we have more or less been associated primarily with waterflood production, but that certainly isn't the position of our overall company operation. We operate, only about one-third of our production comes from waterflood. Incidentally, we are in New Mexico right at the moment very aggressively conducting a development campaign that will keep us here as a primary operator for many years. That is primarily the major part of our interest now.

I want to address my remarks to the Commission, though, in regard to this pipeline prorating of waterflood, and to advise the Commission of what I detect to be a waning interest in secondary recovery projects within the State.

I think it is to the State's prime interest to encourage and to see developed reserves that might otherwise be lost, and of course, those reserves are available through secondary recovery operations. I speak of the waning interest, I draw my conclusions by association with many companies who have associated themselves with the matter of waterflood allowables in Texas and New Mexico; and, of course, I'm inevitably in the position, or unavoidably in the position of hearing their many comments as to what they consider the prospects for secondary recovery operations under the rules that are now being promulgated by the Commission within this State. Actually, also, the boom on waterflooding is subsiding, the real bull rush fever that we first observed when the success



of Caprock became apparent is no longer in evidence. The reason for that is that operators have found that all that glitters is not gold.

There are many waterfloods that they have been associated with or had chances to observe since that time that's convinced them that waterflood operations are extremely difficult and expensive, and it involves the employment of the very finest of engineering staff. So just not everybody is convinced they can take a waterflood and produce profitable waterflood oil. For instance, our experience in New Mexico, while Caprock has been successful, outstandingly so, and even within that field in the middle part and the south part we understand that reservoir conditions have been evaluated where they don't expect the same type of performance they did in the north portion of the flood. Other instances of this kind is in the Artesia where in the pilot we anticipated a highly successful flood. Upon the expansion of the pilot we ran into serious operational difficulties, primarily water, by-passing, in which our estimates of that flood have been materially reduced. Our flood in the Red Lake is practically a total failure; that one is in the same category. Our experiences in Texas are in about the same relationship, one or two successful ones, quite a few break-evens, and then some very unsuccessful ones.

So generally speaking, the first blush of success that operators thought they would find in any waterflood are just not there.

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Actually, along with that realization, though, there's a feeling on the part of people that would normally become waterflood operators that the atmosphere as now being developed within the State is really not attractive to waterflooding, to the present development of waterflood reserves.

If I was asked to say as to why I make these conclusions, I would list these three points. Now right here I have a note to myself to be careful how you say this, cause it's not meant with any animosity in any way, but I can really feel it, it's a consensus of opinion that people who are the big waterflooders, potentially waterflooders, primarily in this State and other states, they use-- and this is one of the things I most often have heard, that for instance, in the October hearing there was an apparent attitude on the part of the staff in which the burden or the entire burden of their discussions was to support the other side of the question rather than to bring out the position that we were trying to bring out. That's a rather broad statement and as I say, I don't make it with any animosity, but that is the expressed opinion of people that I have been thrown with.

I think another thing that reflects a changed attitude toward waterflooding is the hearing before the State in the matter of restricting the use of fresh water in waterfloods. I understand there's a hearing that may have been decided, I don't know, but I understood the last I heard it hasn't. That point has been analyzed and at one of the hearings, I believe the first Caprock

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hearing, it was pointed out that for every unit of water, fresh water used in waterflood, the State derived in the neighborhood of one hundred times the income that would accrue to agricultural use of that water; but even then, with that testimony having been substantiated at the time, the consideration is now beginning, and there was just not water available unless you use that source of water; we have explored it thoroughly and other companies have, too.

One thing that I noted that really highlighted the feeling, and I understand that this is not a correct assumption; however, this morning, that the Pebble Unit, for instance, it's a buffer zone unit in the Caprock flood, was not given an allowable commensurate with the order of 701 which set up procedures for additional allowable for units in buffer zone areas.

Actually, the October hearing, when this waterflood question was brought up and highlighted so, to such a degree, the basic issue of that hearing was whether or not waterfloods would take or whether they were taking or whether they would take in the future a disproportionate share of the market. At that time Humble adroitly discredited the combined experience of companies having a total of fifteen to twenty years of more waterflood experience than their company had. It was done in a masterful manner, you have to take your hat off to them for doing it and the way they did it. It was done without true regard to all the facts. At that time we said, the side favoring the capacity type



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allowables, that the best way to judge the future was to look at the past, and none of the states that have been in waterflood production for years had ever come upon a situation where oil produced in excess of the yardstick took an excessive part of the market. Humble nevertheless very skillfully pointed out that the Caprock production would do just that, and that future flood within the Caprock would make the things untenable. Well, as the present capacity or the present production from those floods indicate that such is not the case, and it will not be in the future.

We are now producing below, substantially below our January quotas and -- I mean January production, and pipeline prorationing will not affect either the Graridge flood or the Ambassador flood, but that is not the point of my remarks to the Commission,

The point of my remarks to the Commission is that by setting a precedent for restricting waterfloods as a result of application by purchasers for pipeline prorationing, you are undoing and unseating a long-standing precedent that they have arrived at only after lengthy hearings and considered opinion, and we urge the Commission strongly not to take that step of setting that precedent that will further diminish the attractiveness of developing secondary recovery projects within the State.

MR. PORTER: Mr. Street, I think your statement may have some remote connection with this case. I am expressing



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myself as a member of the Commission, and not as the Commission. The waterflood case that you mentioned was heard in October. I don't know if you are asking that any order we issue not pertain to waterfloods or just what the purpose of your statement was. I was asked the question last week at a waterflood meeting in Artesia as to why we added one kind of order at one time and another kind at another. The answer was obvious, that we determine each case on the testimony presented there.

You mentioned the possible criticism of the staff for their attitude at the October hearing. I think the staff's attitude was obvious, or at least Mr. Nutter's, in that he made the recommendations which in essence were adopted by the Commission later. He did this after some two years of observation and study of the operation of waterfloods.

Does anyone else have a statement to make?

MR. PAYNE: I would like to ask Mr. Pielsticker one question. Mr. Pielsticker, Indiana is curtailing its purchases from waterfloods in every state in which you purchase?

MR. PIELSTICKER: Yes, sir.

MR. PORTER: The Commission will enter an order in this case, I believe the emergency order expires today or tomorrow, allowing twenty percent prorationing as requested by the Applicant; and Mr. Campbell, we would like for you to submit to us in writing the information which you would like for us to request Indiana Oil Purchasing Company, and the Commission will consider your



request and decide what information we should require from Indiana Oil Purchasing Company.

If nothing further to come before the Commission, the hearing is adjourned.

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STATE OF NEW MEXICO     )  
                                  ) ss  
COUNTY OF BERNALILLO    )

I, ADA DEARNLEY, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing was reported by me in Stenotype and that the same was reduced to typewritten transcript under my personal supervision and contains a true and correct record of said proceedings, to the best of my knowledge, skill and ability.

DATED this 18th day of March, 1960, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

*Ada Dearnley*  
\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires:  
June 19, 1963.

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