

PANHANDLE CARBON COMPANY, INC., a corporation duly organized and existing under the laws of the State of Delaware (said corporation being hereinafter referred to as Panhandle) hereby makes application to use residue gas and/or flare gas in the manufacture of carbon black and, in support of such application, respectfully states to the Oil Conservation Commission of the State of New Mexico:

1. Panhandle is in the business of manufacturing carbon black and has an office at 1003 Fisk Building, Amarillo, Texas (formerly 295 Madison Avenue, New York, New York). Panhandle has a permit to do business in the State of New Mexico. Panhandle's statutory registered office in New Mexico is located at 50 Senna Plaza in the city of Santa Fe.

2. The plant now being operated by Panhandle Carbon Company in the E/2 of Section 3, Township 21, SR 37 E, NMFM, Lea County, New Mexico, near Eunice, was constructed during the war by Panhandle for the government of the United States and Panhandle is presently operating such plant under lease agreement with the Reconstruction Finance Corporation. This plant has now been declared surplus property and the War Assets Administration, on behalf of the United States Government, is planning shortly to dispose of this plant either by lease or by sale. The original cost to the government, including a desulphurization plant, is in excess of \$2,000,000.

3. Under date of November 27, 1944, the Oil Conservation Commission of the State of New Mexico granted Panhandle a permit to use residue gas in the amount of approximately 30,000,000 cubic feet per day for the manufacture of channel carbon black. The gas, so-called waste residue gas, was previously blown into the air from the Phillips Petroleum Company gasoline extraction plant located in the "Eunice Field", Lea County, New Mexico. The permit was for the duration of the war and six months thereafter.

4. A question has arisen as to when this permit expires. Some public officials and departments consider that the war terminated on December 31, 1946, with the President's proclamation of the cessation of hostilities which would then make the expiration date of the present permit June 30, 1947. Other departments and government officials are of the opinion that the expression "Duration" should await a more formal declaration or statement from the President of the United States that the war has terminated.

Since there is no unanimity of opinion as to this question, Panhandle deems it necessary to make this application for an extension of its presently existing permit.

5. At the present time, Panhandle Carbon Company has a contract with Phillips Petroleum Company for the required volume of residue and/or flare gas to operate this plant until 1950. In addition, it is contemplated, should Panhandle be the successful bidder for either sale or lease of this plant, that additional supplies of residue and/or flare gas can be obtained to enable operation of the plant for a long period of time beyond the expiration of the contract which Panhandle now has with Phillips Petroleum Company.

6. Channel carbon black during the war was considered a critical material. So essential was channel carbon black for use in automobile tires and other rubber articles wherever durability and resistance to abrasion were necessary factors that the U. S. government spent \$24,000,000 in the construction of new channel black plants and their accessory facilities in order to increase the supply thereof. Since the end of the war the demand for channel black has increased much beyond its pre-war volume. In the year 1946, the following are the production and shipments of channel carbon black for the entire United States:

Production: 619,000,000 lbs.

Shipments: 669,000,000 lbs.

Excess of shipments over production: 50,000,000 lbs.

To date, this situation is still critical, and, as of May 31, 1947, stocks of channel carbon black held by all producers amounted to only 9,000,000 lbs, the lowest inventory position in the history of the industry. With the availability of natural crude rubber to the tire manufacturing industry in lieu of synthetic rubber, the channel type of carbon black will continue to be an essential basic ingredient since channel carbon black when incorporated into tires gives the rubber the resistance to abrasion and reinforcing qualities necessary for long mileage.

In addition, carbon black is an essential ingredient in the manufacture of numerous commodities such as inks, mechanical rubber products, paints, carbon papers, phonograph records, cement coloring and many other things where color is an important factor.

7. As previously mentioned the cost of the plant facilities to the government was in excess of \$2,000,000. In relationship to the value of the products manufactured, the investment in a channel plant is very substantial and, in order to properly amortize the investment in such facilities, there must be a reasonably adequate period of time in which depreciation of the plant may be absorbed in the operations. It is suggested that an appropriate period of the extension of the permit should be at least of ten years.

8. Panhandle Carbon Company in the manufacture of carbon black within the state of New Mexico and utilization of the waste gas from which the carbon black is manufactured will pay into the State of New Mexico additional taxes, will employ labor for the operation of said plant within New Mexico, and will convert an otherwise waste product into a commercially valuable material.

WHEREFORE, Panhandle Carbon Company, Inc., respectfully submits that the proposed manufacture of carbon black from residue and/or flare gas will result in a beneficial use of said gas for purposes as enumerated above. Accordingly, Panhandle

respectfully petitions the Commission to extend the permit granted November 27, 1944, for a minimum period of ten years.

DATED this 19th day of June, A. D. 1947.

PANHANDLE CARBON COMPANY, INC.

BY

H. B. Seligman
assistant secretary.

State of Texas (1)

County of Potter (1)

H. B. SELIGMAN, being duly sworn, deposes and says:

That he is Assistant Secretary of Panhandle Carbon Company, Inc., the petitioner in the above entitled matter; that he has read the foregoing petition and knows the contents thereof; that the facts stated therein are true to his own knowledge.

H. B. Seligman

SWORN TO before me this 19th day of June, A.D. 1947.

[Signature]
Notary Public in and for Potter County,
Texas