

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
May 18, 1960

-----  
IN THE MATTER OF: )

Concerning purchaser prorationing )  
by Sinclair Crude Oil Company in all )  
oil pools from which it purchases )  
in New Mexico. )  
-----

Case 1935

BEFORE: Mr. A. L. Porter  
Mr. Murray Morgan

TRANSCRIPT OF HEARING

MR. PORTER: In regard to Case 1935, the Commission has received official notice from Sinclair that the purchaser prorationing has been discontinued effective 7:00 A.M., May 15, so the Commission will at this time dismiss Case 1935.

We'll take up next Case 1909.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



STATE OF NEW MEXICO    )  
                               :   SS  
 COUNTY OF BERNALILLO )

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 30th day of May, 1960.

Ada Dearnley  
 Notary Public-Court Reporter

My commission expires:

June 19, 1963.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



BEFORE THE  
OIL CONSERVATION COMMISSION  
HOBBS, NEW MEXICO  
APRIL 13, 1960

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IN THE MATTER OF: :

CASE 1935 In the matter concerning purchaser prorationing: :  
by Sinclair Crude Oil Company in all oil pools :  
from which it purchases in New Mexico. :  
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BEFORE:

John Burroughs  
~~Daniel S. Nutter~~  
A. L. Porter

T R A N S C R I P T     O F     P R O C E E D I N G S

MR. PORTER: We will proceed now to case 1935.

MR. PAYNE: 1935. In the matter concerning purchaser prorationing by Sinclair Crude Oil Company in all oil pools from which it purchases in New Mexico.

MR. WHITE: If the Commission please, Charles White of Gilbert, White & Gilbert, Santa Fe, New Mexico, local counsel for Sinclair Crude Oil Company. I have associated with me in this case Mr. James H. McGowan of Tulsa, Oklahoma. Mr. McGowan is a member of the Oklahoma Bar and resident counsel for Sinclair Crude Oil Company.

MR. MCGOWAN: If the Commission please, do you want to swear the witness at this time?

(Witness sworn)

MR. MCGOWAN: If it please the Commission, we are, or I am at a little loss as to how to proceed this morning. I would like first to make a brief statement of what we see our position to be in this matter. As we interpret the notice that the Commission has given to us, by the letter, this is not a hearing to determine if we may or may not prorate in New Mexico; for we feel from a legal standpoint, aside from any Federal and State constitutional questions that our right to do so is specifically recognized in your statutes in Section 65-3-15, and by your Rule 802. For we find ourselves in the unfortunate position, in the words of the statute, of not needing the lawfully produced oil with which we are connected. We are further doing our best to take ratable from the connection which we have, which, again, we feel is a statutory requirement in connection with it. We don't feel that legally we are under any obligation to justify or explain the fact of how much oil we do or don't purchase in New Mexico. We feel that that is properly and would have to be a decision of our own management. However, we recognize the responsibility of the Commission in any matter connected to purchase and production and movement of ~~oil~~ crude oil. We further feel that it's desirable and proper for this Commission to consider our purchases and advise us concerning the many problems inherent in a purchaser taking less than the allowable as fixed by this Commission.

We further feel that it is perfectly proper and desirable for the Commission, based upon information that they have or that is

furnished to them, to issue such orders which, in effect, would be supplemental proration orders concerning our taking of purchases and to the extent we possibly can we will comply with them. Now, we are not, as a matter of principle, prorating waterflood projects in the other states in which we are prorating. It is the view of our management, as I believe the Commission is aware, that to indiscriminately prorate waterflood projects may in many instances cause waste.

We seek, wherever possible, to avoid the causing of any waste, and that is a matter of our own choosing. However, in New Mexico we are aware of your Rules concerning waterflood, and while we purchase prorationing, or at any time, we will not run any oil that is produced in violation of any order this Commission issues.

Now, we have heretofore, to the best of our ability, furnished you in writing the information that you requested by your letters to Mr. D. A. Young, President of Sinclair Crude Oil Company. We further gather, or believe it would appear from some of the statements we have read and your letter of March 23rd, that you might feel that we were in a sense discriminating against New Mexico in our announced proration. Now, again, speaking of legality, we know of no standard by which this could be measured, either by the Commission or by Sinclair. We feel, therefore, no legal necessity of proving that we are or are not in any way discriminating against New Mexico. However, being a very substantial producer and purchaser transporter of crude in this state, having a great interest in it,

and desiring in every way to cooperate with the Commission, we feel in our own mind that we are not discriminating against New Mexico, and stand ready to demonstrate that to the Commission.

Now, Mr. Gardiner is here, has been sworn as a witness. We have some testimony that is particularly in connection with the last point, that we would like to offer. And we will then stand ready to insofar as we properly can, answer any inquiries concerning this matter that the Commission may have.

MR. PORTER: You may proceed, Mr. McGowan, with your questions.

FRANK G. GARDNER, ,  
called as a witness, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. MCGOWAN:

Q Will you state your name, please, and your capacity with Sinclair Crude Oil Company?

A Frank D. Gardner, Vice-President.

Q And you are concerned with and in charge of the purchases of Sinclair Crude Oil Company, among other matters the lease level in the various states in which we purchase?

A That's correct.

Q Now, Mr. Gardner, you are aware of the fact that we are at this time prorating our purchases in New Mexico to eighty per-cent of our January runs, subject only to the exceptions set forth

in the Commission's letter to Mr. Young of our company of March 23rd, have you not?

A That's essentially correct. However, for the Commission's information, in adherence to their directive of March 29th, some six thousand barrels a day of unit oil from units producing ten barrels daily or less are not affected by our proration, and consequently, we estimate that we will purchase 87.6 percent of the volume which we would have purchased under the allowable as determined by the Commission for the month of April.

Q In other words, what you are saying, then, is that our estimate of our actual purchase in April will be 87.6--

A Yes.

Q --for a total volume?

A A proration of 12.4 percent rather than 20 percent, using January as the basis, and as compared with the April allowable.

Q So, actually, based upon the decrease of the Commission since January, then, our proration is not to the extent of 20 percent of the current volume?

A That is our estimate, sir.

Q Now, then, Mr. Gardner, will you proceed to advise the Commission of the facts that you have, particularly in connection with the matters that were raised in the Commission's letter to us of March 23rd?

A I have a brief statement here. We have already furnished the Commission in writing our response, and I think three charts

which I believe you have, Mr. Porter.

MR. PORTER: Yes, sir.

A --in response to our letter of March 29th addressed to D. A. Young, President of Sinclair Crude Oil Company. In view of the assumption that our present undesired but necessary purchase prorationing is discriminating against New Mexico, with which we disagree, I wish to advise that our company purchases oil only in the States of Colorado, Kansas, Nebraska, and New Mexico, Oklahoma, Texas and Wyoming. We are presently prorationing in Kansas to the same extent as we are prorationing in New Mexico, but from a much lower base allowable. We are prorationing in Colorado, Nebraska 40 percent as opposed to 20 percent in New Mexico. We are, and have been for a long period of time, prorationing much of the production which we purchase in Wyoming, some of it to 50 barrels per well per day, which is much lower, the same depth bracket, than in New Mexico. Our foreign imports have been reduced within the last twelve months from 47,861 barrels per day to 30,798 barrels per day, or from an average of approximately 66,000 barrels per day in 1957, to approximately 40,000 barrels per day in 1959; a much larger percentage than our proration in New Mexico. This leaves the States of Oklahoma and Texas in which we have actually reduced our total purchases, but have not prorated at the lease level. Now, by explanation of that, we operate as most of the purchasing companies do which is on a month to month basis, geared for our picture, our requirements, and we buy and sell crude on contract. That gives a

certain flexibility, which, of course, we don't have with the lease level purchases. However, both Oklahoma and Texas are presently producing on a much lower well per allowable for similar depths and acreage range than is New Mexico, and have significantly cut their production in recent months. Contrary to some published reports, our purchases in Texas do not exceed our nomination by a larger percentage than in New Mexico. It also has been mentioned in some publications of the 7,000 barrels of Utah crude we purchase. This is purchased pursuant to contract as a bulk sale rather than at the lease level. It's recently been reduced, this is in April, to 6,000 barrels per day, and will shortly be reduced to 3,000 barrels per day. I would further point out that this is a special grade crude, which is not available in New Mexico. Further, our proration not only does not favor Sinclair gas and oil production, but, actually, is to the contrary in that, in Oklahoma we are connected to 35 percent of Sinclair oil and gas production; in Texas we are connected to 40 percent of their production, while in New Mexico, we are connected to 42 percent of their production.

We, therefore, feel that while, as Mr. McGowan stated in his opening remarks, we have no statutory standard for measuring or determining discrimination as between states; we are not in any way discriminating against New Mexico. We hope we will never be in that position.

I think such as is reflected by the growth of our purchases in the State of New Mexico the last five years, approximately

22,000 barrels to our current purchases, even with proration of an estimate of 28,300 barrels per day for the month of April, and for January, 1960, of 33,430 barrels per day. That's all I have.

Q On that last estimate, Mr. Gardner, actually, our purchases, considering January of 1960, before we went into any purchaser prorated increase, in the last five years then was some 11,000 barrels or 50 percent?

A That's about right.

Q Now, there has been some, particularly in the market demand hearing this morning, some comments concerning the running of underage. It is, I assume, the intention of Sinclair Crude Oil to end purchaser-prorationing, not only in New Mexico, but elsewhere just as soon as our overall picture will allow us to do so.

A We will lift prorationing just as soon as we possibly can.

Q And after we have lifted purchaser-prorationing, we will then run the legally producible oil insofar as our requirements will allow us to do so?

A That's correct.

Q So, in summing up, then we will end purchasing proration as quickly as we can, and will run the allowable that we can run, if, as, and when the Commission authorizes them as allowable production?

A We will, insofar as we are able, purchase legally allowed back oil.

MR. MCGOWAN: That is all we have to offer, Mr. Porter.

Q MR. PORTER:

MR. PORTER: Anyone have any questions of Mr. Gardner?

CROSS-EXAMINATION

BY MR. NUTTER:

Q Mr. Gardner, why was it necessary to prorate the purchase in Kansas and New Mexico and not in Texas and Oklahoma?

A Basically, we purchase prorate in the four states which you mentioned because we had too much crude oil on hand.

Q And you didn't have too much crude oil in these other states?

A I am not saying that, Mr. Nutter. We simply had too much crude oil, and we applied the proration as we regarded in an equitable manner; by our lights.

Q Now, Mr. Gardner, I note from the charts Sinclair Crude Oil Company sent along with the letter of April 8 to Mr. Young, that the actual crude oil inventory, being prior to December 1, was less than the desired inventory; is that correct?

A You have the advantage of-- May I take a look at that chart? I think you are referring to--prior to November 1, are you not?

Q Well, actually, the green line crosses the red line some-- times in the month of November?

A Well, yes. Technically, we were just about in balance around the middle of November.

Q About the middle of the month. It would appear you were

pretty much in balance?

A Yes, sir.

Q And, then, any oversupply of oil that you have in your inventory there has resulted since maybe November 20?

A Yes. That can be explained. We had the refinery figures. Do you want me to continue?

Q Yes, sir.

A We had refinery cutbacks. In other words, crude was piling up for two reasons. We were getting more at lease level in the various states in which we purchase, and refinery runs were down somewhat.

Q Well, now, your general over-all average for refining monthly is somewhere in the neighborhood of 420,000 barrels?

A That's a good figure.

Q Now, your average purchases per day, according to the-- let's have April 8, well, in February, were a total of some 280 some thousand barrels per day?

A Those are lease level purchases. We did not feel that helpful to the Commission nor of any benefit to any of our customers and associates to go into the over-all contract sale and purchase aspect, feeling that the Commission wanted to know what we bought at the lease level. That's the basis on which we acquire crude.

Q Yes, sir. These are lease level purchases?

A Yes, sir, entirely.

Q And yet your refinery runs were in the neighborhood of

420; so that you would mean that you probably purchase on contract or spot purchases, maybe a hundred thirty, thirty-five thousand barrels?

A Well, now, I mentioned that we do import crude to one refinery outside of Philadelphia. We call it the Market Research Refinery, so that would take up a certain amount of that.

Q So, this hundred thirty-three or thirty-five thousand barrels would include import oil?

A That is right. What was your total on that? We didn't run a total for you. What was your total, sir?

Q Well, your average purchases in February would be in the neighborhood of 288,000 barrels per day?

A We generally say around 300,000.

Q Now, this oversupply of oil that you have had since maybe November 20th until the present time is due entirely to the purchases from the leases in these states?

A No, due to a combination of factors. Our lease level runs, contract purchases at certain levels, and inability to make reciprocal sales; other people were getting in bad shape as well. They had to cancel us out on stuff they bought from us prior. As I say, most of these are on a thirty-day basis. When you can't sell, you've got to find a place for it. You can store just so much. You get to a point where your pipelines can't function.

Q So, there is a possibility that some of this excess oil came from other places and leases that you were buying off?

A Well, as I say, a combination of these factors.

Q Mr. Gardner, I notice that in the months of January and February you reduce your nominations in Texas from 121,100 barrels per day to 128,400 barrels per day. Is that about correct?

A Well, let me see here. Yes.

Q I also notice that your purchases from the leases in the state of Texas went up from January to February from 132,105 barrels per day to 138,655 barrels per day.

A Yes. That can be explained, Mr. Nutter. I would say in certain areas, particularly in the District 9, North Texas, there are many small leases, marginal leases that do not run oil every month. And we get those peaks and valleys on our take in that area. And that could well be a portion of this increase.

Q But nevertheless, despite the fact that you wanted lease oil in Texas on a per day basis in January and February, you actually purchase more in January and February?

A Well, as I say, that's the rub of the green.

Q Now, how about Oklahoma, Mr. Gardner? I notice that January and February you nominated 40,000 barrels per day--

A That's right.

Q --in each month in that state.

A Right.

Q And yet the purchases in Oklahoma from January went up from 48,909 barrels per day to 53,160 barrels per day, which was an increase; is that correct, sir?

A That's absolutely correct. There are conditions existing in Oklahoma that would explain a portion of the increase. There are many waterfloods coming on. We are an old, you might say, historical buyer in New Mexico. Sinclair Pipeline is one of the most widespread systems in the state. And the older fields in many areas are being flooded, production is coming up.

MR. PORTER: You mean in Oklahoma?

A Yes, sir, Oklahoma.

Q (By Mr. Nutter) However, it may be that this waterflood oil or any other kind of excess production is the thing that is contributing to your actual inventory being in excess of desired levels?

A That's true. Of course, Oklahoma oil doesn't have any bearing on our picture for New Mexico oil. We go another way with Oklahoma on that.

Q Now, are you on purchaser prorationing in either of these two states which we have been discussing, Texas and Oklahoma, at this present time?

A We are not purchasing prorationing in Texas or Oklahoma.

Q Then, the purchases of oil from January to February in each of these states has exceeded your nominations and has gone up from January to February?

A Yes. The Oklahoma situation, particularly, is a chronic thing. It's way beyond our nomination. We saw no point in further reducing our nomination there. It would be meaningless.

Q Well, now, in Kansas, Mr. Gardner, you nominated 11,000 barrels per day for January and February, and your actual purchases went down from 10,761 to 10,454. Now, are you prorating in the state of Kansas?

A Yes, we are.

Q So, now, we have got two states which are not prorating and both of them had an increase, and so far we have got one state in which you are prorating and that had a decrease in production; is that correct, sir?

A Well, we are getting back to-- I don't think a comparison of January and February is entirely fair in Kansas. There are many marginal leases there that don't run every month. So, I think they fluctuate sometimes as much as a thousand barrels a day from one month to the other. If you were to ask me offhand without referring to these figures, I would say we are about 11,500 barrels a day in Kansas or a thousand barrels more.

Q At this present time?

A I would say.

Q Now, in the state of New Mexico, I note that you nominated 30,000 barrels for January and 30,000 barrels for February.

A Yes.

Q However, the production from January to February decreased from 32,253 to 32,243, which is no actual significant change?

A Right.

Q But it did remain relatively constant?

A Well, as you know, Mr. Nutter, we have been historically, I would say, the largest of the major purchasers in Eddy County, and there we are confronted with some marginal units where runs are not made every month. We have a little fluctuation there, too, you see.

Q We have had fluctuations in Oklahoma and Kansas and New Mexico. Is there a possibility that these fluctuations from month to month will iron themselves out?

A We hope so. They will in time.

Q I would think that if you buy oil every other month from one lease you may be buying oil every other month from another lease?

A Well, that's true. The pipeline people scheduled the gauging operations pretty much in accordance with the production methods in the area.

Q Mr. Gardner, in response to question No. 8, Mr. Young replied that the amount of oil that Sinclair purchases from many leases or wells is based upon circumstances existing at the time and place in question. Would you clarify what he means by that?

A Well, I am not going to put words in anybody's mouth, but I am sure he meant this: That we are getting back to fundamentals now. We will say top management decides that we are going to refine so much crude oil. And lesser management tries to conform. It's not as simple as turning on a valve and getting from the oil field direct to the refinery through one pipeline the amount of oil

you are going to refine. So, I think the word circumstances here should be self-explanatory. There are many factors that enter into this over-all picture.

Q I see. Well, now, Mr. Gardner, tell me this: I note that in January the actual purchases from the states that you have shown, lease purchases here total some-- I should say from the actual percent from the states that are prorated, total some 224,000 barrels per day. And your nominations in those four states total some 210,000 barrels per day, which gave you an excess purchase above and beyond your nominations in those four prorated states of approximately 14,000 barrels per day. Now, I also note, Mr. Gardner, that in the month of February your purchases in those four states total 242,500 barrels per day while your nominations in those states totaled some 209,400 barrels per day, which gives you an excess purchase of some 25,000 barrels per day. Now, from January to February, your excess purchases have increased by about 11,000 barrels per day; from January to February. I also note on this chart, which indicates the levels of crude oil inventories, that the crude oil inventory is increasing to the tune of some 10,000 barrels per day, roughly. Now, the fact that in four prorated states the excess oil from January to February increased by 11,000 barrels per day, while in the two states, New Mexico and Kansas, that you are prorating, your actual purchases stayed the same or decreased. How in the world is Sinclair justified in prorating its purchases in the states where the purchases are going

down, while your stocks are going up? The two states where you don't show any increase are the ones you prorated. How do you justify that?

A Well, we justify things in our own minds and probably would not be justified in other people's minds. First, Mr. Nutter, we are not trying to be punitive or dogmatic about this thing.

Q We would just like to know why New Mexico is being prorated when the other areas aren't.

I don't think it's a matter that New Mexico wants to see the other states prorated. I just think that if you are in trouble to the tune of 10,000 barrels per day going into the inventory, if you could prorate in all the states on a ratable basis, you might be able to reduce your rate to five percent instead of twenty.

MR. MCGOWAN: I hesitate to do this, but we recognize Mr. Nutter's position, but we have tried our best to answer the questions as best as we could, and it seems to me that his last two questions, him stating his opinion and in an argumentative manner in asking Mr. Gardner if he doesn't agree, which obviously we don't, and I am going to object to the form of the question.

Q (By Mr. Nutter) I will rephrase the question in this manner, Mr. Gardner. In the phase of the obvious trends of purchases and nominations on these four prorated states, why has it been necessary to prorate in Kansas and New Mexico and not in Texas and Oklahoma?

A Well, you are getting into our business pretty deeply.

Grades of crude are a factor. Your near sister state, the western part of Texas, produces essentially the same types crude that Southeast New Mexico produces. I can't, for the life of me, see that we would prorate West Texas and New Mexico and not prorate the rest of Texas, so we didn't do that. Now, we had some figures here that might reflect a little bit of our thinking on doing what we did, and correct me if I am wrong. I know we have had the advantage of these figures, but let's take a case in point here. There are now nine producing days in Texas. The third day of April-- Your basically allowable in May will be, in Southeast New Mexico, 33 barrels for wells six to seven thousand feet in depth. Wait a minute. No, I don't have a 33; I have a 35 barrel figure.

Q That is a current well?

A That is right. All right. That's from wells up to 5,000 feet in depth, I believe. In Texas, a well from two to three thousand feet, to produce that much oil, would have to produce fourteen days. A well from three to four thousand would have to produce twelve and a half days. Four to five thousand feet, 11.3 days. Then, the thinking gets out of hand. You have currently a hundred five barrel allowable on a well from 8,000, 8500 feet in depth. To produce that much oil, a Texas well of the same depth would have to produce 23.86 days. Only, they are producing nine days currently. I had hoped not to have to get into that, Mr. Nutter, but--

MR. PORTER: Mr. Gardner, may I ask just one question?

A Yes, sir.

## QUESTIONS BY MR. PORTER:

Q Do you have similar comparisons, say, of Utah wells and Wyoming wells?

A Utah. I don't know a thing about. We buy oil in bulk on contract in Utah. I wouldn't know whether those--

Q You don't make lease purchases?

A We don't make purchases at the lease level.

Q (By Mr. Nutter) Do you have any figures at hand there that would show how much allocated production there might be in Texas?

A I don't, sir. My understanding is there is some nine hundred thousand to a million barrels a day in Texas that does not respond to proration. I mean, you know, producing days. Special days. Exempt fields. Et cetera. Floods.

Q The Railroad Commission has to set the allowable under certain conditions?

A They have about from a million to two and a half million barrels to play on.

Q One other question, Mr. Gardner. You mentioned these comparisons in the amount of oil for each of these various depths that they are producing.

A Yes, sir.

Q Now, the chart indicates that Sinclair got in a situation where the inventory of crude oil exceeds the desired amount in November. Now, have the depth factors or the allowables for a given

depth changed from either of these states since November?

A Not to my knowledge.

MR. NUTTER: Thank you. I believe that's all.

MR. PORTER: Anyone else have a question?

MR. MCGOWAN: I would like to ask a question. I assume that he was talking about Oklahoma and Texas in that last question; is that correct, Mr. Nutter?

MR. NUTTER: I was talking about what Mr. Gardner was referring to, discussing depth factors.

A Texas was the only one I mentioned.

MR. MCGOWAN: I am sorry.

QUESTIONS BY MR. PAYNE:

Q Mr. Gardner, you don't list Utah as a state where you purchase oil?

A That's right.

Q However, there are 7,000 barrels a day being transported to your account?

A Yes, sir. That's purchased on contract and shipped by us over the facility of Texas-New Mexico Pipeline Company.

Q Now, when you say purchased on contract, does that or is that a swap out?

A Well, we would like it to be. We got 7,000 barrels a day in March. We are only getting 6,000, and we are only going to get three starting in May, I believe. We are going to do our best to get it back up to seven, and we need that crude. It's a special

lube stock crude, and we make no bones about it. We want it, and we are going to make some trades to get it. In response to your question, your first question, we did have reciprocal sale, and we hope we can achieve such in the future, where we will not. But we want the crude. We can't get it in New Mexico. I wish we could. It would be closer to home and cost less to get.

Q When you do swap, what oil do you swap? Where is it produced?

A Well, there are some involvements in those swaps. There are one, two, three and four way deals that are-- I mean, it's just an industry arrangement, trade. If you asked me exactly what we are swapping, let's see. I think a little West Texas sour, maybe, and some pedas crude down in southwest Texas. But I don't see that that has much bearing on what we buy.

Q Well, assuming, Mr. Gardner, that the 7,000 barrels of oil that you trade for the Utah oil, assuming that that oil is not competing with New Mexico oil, when you trade and bring 7,000 barrels a day to Jal, New Mexico, which does compete with New Mexico oil, doesn't that have the same effect as though you were actually purchasing 7,000 barrels a day from the leases in Utah?

A Mr. Payne, you missed my point. It doesn't compete with New Mexico oil. We can't get that kind of oil in New Mexico.

Q I am talking about the oil you trade for.

A If we can trade.

Q All right. Mr. Gardner, assuming that you would prorate

your purchases in all states in which you purchase, in order to get your inventories down to your desired level, what would the percentage of cut have to be?

A We haven't figured that out, sir. It depends on how much, at what rate we want to reduce, which, of course, is geared for our ability to sell to other companies. If we can't make any sales, we would have to cut deeper. If we can sell, as I told you earlier, we would love to prorate, and we are going to as soon as we can.

Q Mr. Gardner, does the crude oil production in West Texas compete with Southeastern New Mexico oil?

A It always has.

Q On the common market?

A It always has.

Q Then, why do you find it necessary to prorate New Mexico and not West Texas?

MR. MCGOWAN: I submit that the witness has answered that question two or three times.

MR. PAYNE: He hasn't answered. His answer was that he didn't feel that Sinclair would ever want to prorate in West Texas only and not the rest of Texas. Now, I think there might be some justification for prorationing in West Texas only, and I want to know if Sinclair has thought about it.

A Well, going back to the old days in Texas, prorationing, I can recall the time when East Texas had a certain allowable, number of days, West Texas had certain number of days, which were

quite low; and the rest of the state had its number of days, and its use to be something like twenty-one, twenty and fourteen. The Commission, I think very wisely, in Texas, decided to adopt an across-the-board pattern, which they did. And I would be the last to recommend to my management that we did anything to get that across-the-board pattern in Texas, and we certainly, in New Mexico, wouldn't adopt one policy in Eddy County, one in Chaves County and one in Lea County, in which we purchase. We regard ourselves as across-the-board partners, and we respect it.

Q Don't you think it might be reasonable to discriminate between certain areas and certain pools, depending on what type crude you need?

A Well, we only get two types of crude out of New Mexico, sir. We get sweet and sour.

Q The same as West Texas?

A Yes.

MR. PAYNE: Thank you. That's all.

MR. PORTER: Anyone else have a question of Mr. Gardner?  
The witness may be excused.

(Witness excused)

MR. PORTER: Anyone have any further testimony to offer in this case? If not, the Commission will take the case under advisement and proceed to Case 1934.

STATE OF NEW MEXICO )  
 ) ss  
COUNTY OF BERNALILLO )

I, THOMAS T. TOMKO, Court Reporter, in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in machine shorthand and reduced to typewritten transcript by me, and that the same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal this, the 11<sup>th</sup> day of April,  
A.D. 1960, in the City of Albuquerque, County of Bernalillo, State  
of New Mexico.

Thomas J. Tomlin  
Notary Public

My Commission expires:

January 7, 1964