

PRESS RELEASE

APRIL 19, 1960

A. L. Porter, Jr.
Secretary-Director

OCC
Santa Fe, N.Mex.

After listening to testimony presented by Sinclair Crude Oil Company at the hearing in Hobbs on April 13th, the Oil Conservation Commission has decided not to enter an order officially sanctioning the action of the purchasing company. The Commission feels that the testimony only further pointed up the discriminatory nature of the company's action. In fact, the evidence indicated that if any states were to be exempt from Sinclair's prorationing, New Mexico should have been one of those states. The Commission, in its unceasing effort to prorate oil production to market demand, has reduced the Southeast New Mexico oil allowable each month since the current crude oil over-supply situation became apparent in February, in order that New Mexico assume its fair share of the decrease in the demand for oil.

All legal aspects of this type of purchaser prorationing, which the Commission considers discriminatory, are being thoroughly explored by the Commission's legal department.

SINCLAIR CRUDE OIL COMPANY

SINCLAIR OIL BUILDING

TULSA, OKLAHOMA

D. A. YOUNG
PRESIDENT

April 1, 1960

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

Dear Mr. Porter:

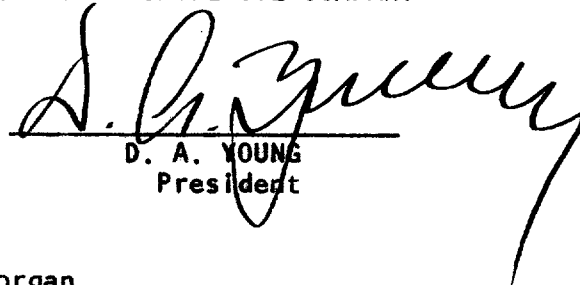
This will acknowledge your letter of March 23, 1960 and advise you of our intent to comply with your direction by reducing our purchases of oil in the state of New Mexico proportionately among all proration units from which we purchase including proration units within any water flood project; provided, however, that in further compliance with your direction we shall purchase 100% of the oil produced from any proration unit which produces 10 barrels of oil or less daily.

We shall be pleased to appear at the public hearing scheduled before the Commission at 9 a.m., April 13, 1960, in Hobbs, New Mexico, as directed.

Mr. Frank D. Gardner, Vice President of the Sinclair Crude Oil Company, will appear at aforesaid hearing for our company together with appropriate legal counsel.

Very truly yours,

SINCLAIR CRUDE OIL COMPANY


D. A. YOUNG
President

DAY:ew

cc: Governor John Burroughs
Commissioner Murray E. Morgan

Sinclair Crude Oil Company

SINCLAIR OIL BUILDING

Tulsa 2, Oklahoma

April 8, 1960



D. A. YOUNG
PRESIDENT

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

Dear Sir:

Reference is made to your letter of March 29, 1960, requesting certain information which in an attempt to aid the Commission in the performance of its duties we are submitting.

In response to the numbered questions submitted by you, we wish to advise as follows:

1. The total amount of crude oil purchased by our Company in each state in which we purchase for the months of January and February, 1960, is as follows:

<u>STATE</u>	<u>JANUARY</u>		<u>FEBRUARY</u>	
	<u>Total</u>	<u>BPD</u>	<u>Total</u>	<u>BPD</u>
Texas	4,095,255	132,105	4,020,995	138,655
Oklahoma	1,516,179	48,909	1,541,640	53,160
Kansas	333,591	10,761	303,166	10,454
Colorado	537,447	17,337	510,343	17,598
Nebraska	243,598	7,858	218,167	7,523
Wyoming	867,876	27,996	815,770	28,130
New Mexico	999,843	32,253	935,074	32,243

2. We can only estimate the total number of wells from which we purchase crude oil in each state, and such estimates are:

<u>STATE</u>	<u>ESTIMATED NUMBER OF WELLS</u>
Texas	10,500
Oklahoma	8,455
Kansas	1,365
Colorado	288
Nebraska	157
Wyoming	153
New Mexico	2,440

April 8, 1960

3. Our nominations for the states in which we nominate for the months of January, February, March, April and May are as follows:

	<u>TEXAS</u>	<u>OKLAHOMA</u>	<u>KANSAS</u>	<u>NEW MEXICO</u>
January	129,100 BPD	40,000 BPD	11,000 BPD	30,000 BPD
February	128,400 BPD	40,000 BPD	11,000 BPD	30,000 BPD
March	124,000 BPD	40,000 BPD	11,000 BPD	30,000 BPD
April	120,400 BPD	40,000 BPD	11,000 BPD	30,000 BPD
May	117,900 BPD	40,000 BPD	10,000 BPD	26,000 BPD

4. The percentage of crude oil purchased by our Company in January, 1960, produced by Sinclair Oil & Gas Company, our only domestic producing affiliate, was approximately 20%.

5. Our actual crude runs to refineries for the months of January, February, and the estimated runs for March and April are as follows:

January Actual	13,170,036 bbls. -	424,840 BPD
February Actual	12,206,652 bbls. -	420,919 BPD
March Estimated	12,942,500 bbls. -	417,500 BPD
April Estimated	12,570,000 bbls. -	419,000 BPD

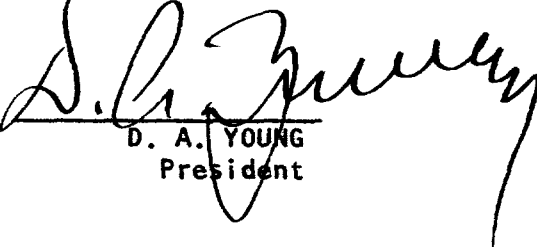
6 and 7. The figures requested in your Questions 6 and 7 are reflected by the enclosed charts, except for the percentage of major products constituting unavailable inventory which we estimate to be in line with industry experience of approximately 60 to 65%.

8. The amount of oil we purchase from any well or lease is a management decision, based upon the circumstances existent at the time and place in question.

It is hoped that the above information will be of some value to you in the performance of your conservation duties.

Yours very truly,

SINCLAIR CRUDE OIL COMPANY


D. A. YOUNG
President

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cc: Governor John Burroughs
Executive Office
Capitol Building
Santa Fe, New Mexico

Mr. Murray E. Morgan
Land Commissioner
P. O. Box 971
Santa Fe, New Mexico

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

April 19, 1960

Mr. D. A. Young, President
Sinclair Crude Oil Company
Sinclair Oil Building
Tulsa 2, Oklahoma

Dear Mr. Young:

In connection with your purchaser prorationing, it has come to our attention that the combined total production on the Newmont Oil Company Yates "A" and Ballard "A" leases in the Loco Hills Pool was less than 100 barrels daily during the month of January, and your base figures for prorationing are the January runs. These leases which are in a pilot water flood project, have had a rather spectacular response since January and the result is that they are now capable of producing several times their capacity in January.

Because of the abovementioned conditions, we are hereby authorizing you to run 80% of the assigned allowables from these leases as reflected on the proration schedule for April or any supplement thereto.

Your cooperation in this matter will be greatly appreciated.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

cc: Mr. Frank Gardner
The Newmont Oil Company
Oil Conservation Commission - Artesia, N. Mex.

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

April 27, 1960

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Mr. D. A. Young, President
Sinclair Crude Oil Company
Sinclair Oil Building
Tulsa 2, Oklahoma

Dear Sir:

In reply to your letter of April 21, 1960, please be advised that you are correct in the assumption that our letter regarding the Newmont Oil Company leases was, in effect, an amendment to our original letter directing you in the manner in which your reductions in purchases were to be made. The reason for the amendment was set out in the letter.

As to further amendments to our original letter, we cannot foresee any at this time, but if conditions arise which in our opinion warrant an amendment it will be forthcoming. In that event your company will receive a duly executed copy of a supplement to the monthly proration schedule as your authority to transport the oil, which should be your only concern.

The Commission still feels that your manner of prorating is discriminatory, and if it is still in effect at the time of our May 18th regular hearing, you will be expected to appear and advise the Commission fully as to what the situation is at that time.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

cc: Governor John Burroughs
Commissioner Murray E. Morgan
Oil Conservation Commission:
Artesia, New Mexico
Hobbs, New Mexico

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Sinclair Crude Oil Company

SINCLAIR OIL BUILDING

Tulsa 2, Oklahoma

April 21, 1960



D. A. YOUNG
PRESIDENT

Mr. A. L. Porter, Jr., Secretary-Director
New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Dear Sir:

We have today received your two letters of April 19, 1960. We note in the one letter that while you state that you do not intend to enter an order in this matter, which we have not sought, you nevertheless direct us to purchase on a ratable basis, which we are doing as provided by law, including wells in authorized waterflood projects, and to make no reduction from wells producing ten (10) barrels per day or less.

Since you use the term "you are directed" we assume that you are treating this as an official order.

We further assume that you intend by your letter relating to the Newmont Oil Company's Yates "A" and Ballard "A" leases in the Loco Hills Pool to amend your general directive, above referred to, as to these particular leases. We request that you confirm our understanding of the effect of your two letters of April 19 and advise us if there will be any further changes or amendments issued by you thereto, particularly with respect to other waterflood projects.

Yours very truly,

SINCLAIR CRUDE OIL COMPANY

D. A. YOUNG, President

cc: Governor John Burroughs
Commissioner Murray E. Morgan
Oil Conservation Commission - Artesia, New Mexico
Oil Conservation Commission - Hobbs, New Mexico

The New Mexico Oil Conservation Commission cannot give official sanction to the action taken by Sinclair on the basis of what facts we have - usually upon notice of purchaser prorationing the Commission issues an emergency order allowing the purchaser to curtail his purchases below allowables and prescribing the manner in which it shall be done until a hearing is held. We realize that no matter how distasteful to all concerned, purchaser prorationing is sometimes necessary. In the case of Sinclair's announced prorationing, however, we feel that New Mexico is being discriminated against. We feel that the reduction should have been borne by all the states in which Sinclair is a purchaser.

Attached is a copy of a letter which I have directed to the president of Sinclair Crude Oil Company.

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

March 23, 1960

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**Mr. D. A. Young, President
Sinclair Crude Oil Company
Box 521
Tulsa 2, Oklahoma**

Dear Mr. Young:

The Commission in emergency session has decided not to issue an emergency order recognizing your right to prorate your purchases of oil in New Mexico as outlined by your Mr. Frank Gardner for the following reasons:

1. You intend to prorate your purchases only in New Mexico, Kansas and the Julesburg Basin of Nebraska and Colorado. You do not intend to prorate your purchases in other states in which you purchase.

2. The New Mexico Commission has reduced southeast allowables at the last two monthly hearings in keeping with our policy of establishing allowables in accordance with market demands.

3. Your purchases in New Mexico exceed your New Mexico nominations by a considerably smaller percentage than your purchases in Texas exceed your Texas nominations, yet you do not intend to prorate in Texas.

4. For several months you have purchased 7000 barrels of oil daily in Utah to be transported across New Mexico to a terminal at Jal to compete with the prorated oil of Southeast New Mexico and West Texas, yet you do not intend to prorate your Utah purchases.

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

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Mr. D. A. Young

March 23, 1960

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5. We have had little indication that purchasers have attempted to alleviate the oversupply situation by curtailing purchases from non-prorated states where, in effect, purchasers establish production rates.

In view of your announced intentions to prorate your purchases of crude oil in New Mexico beginning at 7 a.m., today, March 23, 1960 to 80% of your January 1960 purchases, you are hereby directed to make any reduction in purchases of oil proportionately among all proration units from which you purchase including proration units within any waterflood project; provided, however, that you shall purchase 100% of the oil produced from any proration unit which produces 10 barrels of oil or less daily.

You are further directed to appear and show cause at public hearing at 9 a.m., April 13, 1960 in Hobbs, New Mexico, as to why it is necessary for you to prorate your purchases of oil in New Mexico.

This directive does not constitute approval by the New Mexico Oil Conservation Commission of your purchaser prorationing in New Mexico.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

cc: Governor John Burroughs
Commissioner Murray E. Morgan

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

April 19, 1960

Mr. D. A. Young, President
Sinclair Crude Oil Company
Sinclair Oil Building
Tulsa 2, Oklahoma

Dear Mr. Young:

After considering the evidence in Case 1935 which was heard in Hobbs on April 13th, the Commission has decided not to enter an order in the case. We do not feel that the evidence established sufficient reasons as to why Sinclair found it necessary to reduce purchases in some states and not in others.

Since it was also established at the hearing that the end of your prorationing cannot yet be determined, you are directed to continue to make your reduction in purchases on a ratable basis on all proration units from which you purchase oil in New Mexico, including wells located in authorized water flood projects, provided however, that no reductions in purchases are to be made from wells producing ten barrels or less per day.

Very truly yours,

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A. L. PORTER, Jr.
Secretary-Director

ALP/1f

cc: Mr. Frank Gardner
Governor John Burroughs
Commissioner Morgan
Oil Conservation Commission:
Artesia, New Mexico
Hobbs, New Mexico

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