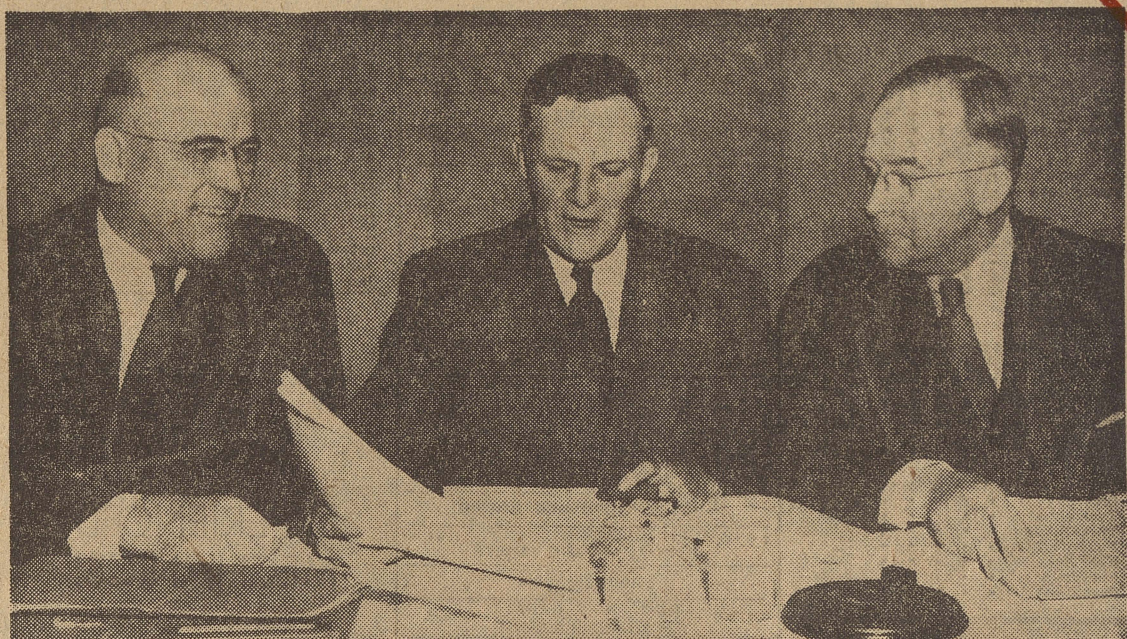


Bring First Statewide Hearing Here



Members of the Texas Railroad Commission, who presided Thursday at the Blackstone

Hotel over the first statewide proration hearing ever held in Fort Worth. Left to right, the

—Star-Telegram Photo. commissioners are: Olin Culbertson, Chairman Beauford Jester and E. O. Thompson.

Oil Men Demand Names of Firms Asking 50,000-Barrel Hike for Gulf Coast Pools; Long-Range Relief Is Indicated for Texas

BY LEROY MENZING.

Efforts to ferret out companies requesting the increase of 50,000 barrels daily additional oil in the Gulf Coast district as ordered by Petroleum Administrator for War developed prospects of long-range relief for the depressed areas of Texas at the statewide proration hearing Thursday at the Blackstone Hotel.

Also from the hearing came an amendment to the statewide spacing pattern, to conform with PAW footage regulations lowering it from 40 to 20 acres and a telegram from the commission to Deputy Administrator Ralph Davies for enlightenment on the coastal increase. In the same message, read to the audience of several hundred producers attending the first statewide hearing ever held in Fort Worth, the commission asked that it be left free to set the allowables in Texas. The commission unanimously adopted the amendment to the spacing regulation.

The telegram was drafted after testimony had failed to show any companies requesting the 50,000 barrels additional oil from the Gulf Coast. PAW had ordered the increase on the Gulf Coast in its 1,502,000-barrel certification for March.

No Interference.

Prior to forwarding the telegram to Davies, Commissioner Thompson had told the operators that the Petroleum Administration had assured "us they would not further attempt to tell us where we should produce the oil so that the States could proportion the production ratably and according to the ability of the fields to produce. Now comes the telegram from Davies saying the 50,000-barrel increase to Texas in March should come from District 3. It is almost as bad as saying we must get the oil from a particular field.

"The Big Inch line was built with Government money and it should be used to take oil ratably from all fields in the State. We have lots of different kinds of oil."

At this point, Amon Carter inquired:

"They didn't go so far as to tell you what particular companies should furnish the oil?"

"No, but they told us the district," replied Thompson.

Responsibility Sought.

Greater part of the hearing was devoted to the question of who was responsible for the 50,000 barrels in order to help fill the needs of the War Emergency pipeline from Longview to Norris City, Ill. All commissioners voiced opposition to selective buying as indicated in the request, with Commissioner Culbertson referring to correspondence with Davies.

The letter, in reference to the wildcat order issued the past month by the commission permitting new pools to produce discovery allowables for 18 months, pointed out that it would not be long until there would be a scarcity of the preferred crudes, or the Gulf Coast grades being used almost exclusively for the manufacture of 91 and 100 octane aviation gasoline.

Culbertson stressed the fact a number of fields in West Texas produce sour crudes that have lead susceptibility and which, if treated to remove the sulphur content, can and will produce the grade of gasoline necessary to the war effort. It was his idea these should be used in order not to draw too heavily on the preferred crudes.

Need Is Urgent.

Davies replied the PAW was confronted with the inexorable fact that more of the war products desired can be made in existing plants by processing the same number of barrels of a selective crude than by processing some other type, adding "we must run selective crudes unless we are to manufacture less of the desired product."

It was during involved testimony on the production of more West Texas oils that J. A. Neath of Houston, vice-president of the Humble Oil and Refining Company, said that with the completion of the Big Inch line to the Atlantic Seaboard, it was planned to erect storage facilities along the route to enable batching of sour crudes of that area along with sweet oils. Such an undertaking was impossible at this time, Neath told the commission, because of lack of the storage facilities.

Neath stated before the outbreak of war, which dislocated the transportation shipment by tankers from the Gulf Coast, the Standard Oil Company of New Jersey plants at Bayonne, N. J., used considerable West Texas crude, and would do so again when there were facilities to get the crude to the refinery.

He said at the present the Humble was shipping 7,000 barrels daily of West Texas crude by tanker east, but this practice would be stopped March 1 under a directive from the PAW, refusing tankers for shipment of oil from Texas.

Names Are Asked.

Carter, who led in the efforts to ferret out the nominators for the coastal oil, at this time told the commission that West Texas always had been the "orphan child of the oil industry," and protested any action by a governmental agency that would grant any Texas oil province an increase of 50,000 barrels daily while West Texas received a reduction of 18,000 barrels and North Texas 10,000 barrels.

"If the people of Texas ever get as sour on some of the oil companies doing business in Texas as these companies are on West Texas sour crude, they are going to wake up some day and be very unhappy.

"People living in this country ought to live with it and not off of it.

"If an independent had asked for 15,000 or 50,000 barrels daily, I wonder how long it would take to get it. I don't like West Texas, discriminated against all along, still to get the worst of it.

"In New Mexico, the allowable is 38 barrels a day, 30 days a month, while across the line in the Wasson pool, the allowable is only 33 barrels a day, only 15 days a month.

"Use" Defense Plea.

"Under the guise of national defense, the major companies are getting away with a lot of things they never could have gotten away with before.

"Major oil companies ought to be more generous with the independent, for if you are going to absorb them as you go along you should do it in a more genteel way.

"I think the Railroad Commission should ask the people in this room who made the requests for the 50,000 barrels extra to enlighten us, to tell us why it is necessary to take the oil from the Gulf Coast."

Survey of the purchasers in the area by the commission failed to develop the companies.

"If there are no nominations for this oil," said Carter, "I think that it is within the province of the Railroad Commission to ask the PAW who wanted it. Maybe, if we had another shutdown of 15 days, we'd find out just who wants this oil." There was a 15-day shutdown in 1939 when major companies attempted to make a substantial cut in the price of crude.

Martin Nixon of Corpus Christi, chairman of the Industries Committee of the PAW, offered an explanation. He said that 60,000 barrels daily formerly coming into Texas from Louisiana had been stopped by the PAW, and the reversing of pipelines from East Texas to the Gulf Coast had lopped off another 50,000 to 60,000 barrels, leaving the refiners in the

area short that amount of oil.

"The biggest expansion of refining in the United States now is taking place on the Gulf Coast," said Nixon. "Refining capacity there now is 1,000,000 barrels daily and it will be 1,300,000 by the fourth quarter. The refineries have to get the crude to replace that lost through the transportation dislocation in Texas.

"There now is a shortage, which will increase later. Efforts to move up Southwest Texas crude has met the reply the price comes a little high. The PAW, upon his own, said where the shortage was and looked upon the situation through a minimum of transportation. The Southwest Texas situation should clear up by the second quarter and West Texas by the end of the year. I don't figure there is any conspiracy to produce more oil on the coast, but a shortage of oil."

Lack of Storage.

Carter then asked:

"If they'll be able to use West Texas crude later on, what's to keep them from using it now?"

Nixon answered with the same lack of storage facilities as given by Neath.

"Why not take up the big line (Humble) from West Texas to Corpus Christi that has not been in use in a year and lay it from El Paso to Los Angeles and provide oil to an area now taking it out of storage?" asked Carter. There was no reply.

Rex Baker of Houston, Humble attorney, quoted the nominations for March in an effort to explain the increase of 50,000 barrels, pointing to the present allowable of 300,000 daily and nominations of 350,632.

To which Thompson replied that the nominations were not totaled by the Commission until Wednesday morning, yet the increase request was received from the PAW Tuesday.

Protests Voiced.

Both H. P. Nichols of Tyler, and C. J. Wrightsman of Fort Worth, voiced opposition to selective buying. The Fort Worth oil man declared "the independent producer can not continue if we are to be put through the financial wringer. We are being put through the wringer by an astute group of advisors in the Government. There is a limit to patience and we are on the threshold of the segregation of pipelines and refineries from the producing end of the industry."

He elaborated with the explanation that transportation and refining companies should be "prevented from owning producing properties."

Harold G. Neely of Fort Worth, who owns production in West Central Texas, urged the Commission to restore allowables in his district to the level from which they were cut nine months ago before giving the 50,000 barrels to the Gulf Coast. "I think somebody has blindfolded somebody in Washington," said Neely, "and I'm anxious to learn who did the blindfolding."

Baker answered with the statement the Humble was asking for 4,000 barrels more daily in West Central Texas than it was getting, adding the capacity was available to turn it into the Big Inch.

Commissioner Culbertson stated Darst Creek and Luling-Branyon pools produced sour crudes, yet no cuts had been asked in them. These pools are in Southwest Texas.

Increases in production were requested for Placedo, McFaddin, Heys, Rook, Hastings, Anahuac, North Markham, Luby and Van. Pure Oil Company sought 8,000 barrels additional in Van to replace a like amount diverted from its East Texas production to the Big Inch.

E. H. Foster of Amarillo, representing the Phillips Petroleum Company, asked the producing days be lifted to 27 in the Panhandle from the 18 currently.