

BEFORE THE
Oil Conservation Commission

SANTA FE, NEW MEXICO

June 28, 1955

IN THE MATTER OF:

CASE NO. 918-919

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES

COURT REPORTERS

605 SIMMS BUILDING

TELEPHONE 3-6691

ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
June 28, 1955

IN THE MATTER OF:

Application of Gulf Oil Corporation for approval of a 320-acre non-standard gas proration unit in the Jalmat Gas Pool, Lea County, New Mexico, to consist of the S/2 of Section 16, Township 25 South, Range 37 East, and to be dedicated to applicant's Annett Ramsey "A" Well No. 2, SW/4 SE/4 of Section 16.

Case No. 918

Application of Gulf Oil Corporation for approval of a 320-acre non-standard gas proration unit in the Eumont Gas Pool, Lea County, New Mexico, to consist of E/2 of Section 22, Township 21 South, Range 36 East, to be dedicated to applicant's Harry Leonard "A" Well No. 3, NW/4 NE/4 of Section 22.

Case No. 919

(Consolidated)

BEFORE:

Honorable John F. Simms
Mr. E. S. (Johnny) Walker
Mr. William B. Macey

TRANSCRIPT OF HEARING

MR. MACEY: The next cases on the docket are Cases 918 and 919.

MR. MALONE: May it please the Commission, Ross Malone, for Gulf. Gulf is the applicant in Cases 918 and 919, and we would like to request that Cases 918 and 919 be continued and placed on the regular July docket.

MR. MACEY: Any objection to continuance of Cases 918 and 919? We have before the Commission a motion for continuance in Cases 918 and 919. Mr. Campbell?

MR. CAMPBELL: Jack M. Campbell, Roswell. I would like to make a statement in Case 918, in behalf of Leonard Oil Company.

When this application was made for administrative approval, Leonard Oil Company filed a protest to such administrative approval, and in view of the fact, that upon additional study, our protest still stands, but is based on slightly different grounds. I feel it appropriate to advise the Commission and Gulf representatives as to the present position of Leonard Oil Company in connection with Case 918. The Commission records will show that there is now drilling, a well in the northeast quarter of the northeast quarter of Section 16. Gulf has been approached upon the question of whether, if that is a gas well, they would be willing to pool their 120 acres in that quarter section.

There is, of course, the subject well in the southeast quarter of Section 16, to which Gulf seeks to have a 320-acre allowable granted. It is our understanding and position, that the Gulf No. 4 Well in the southwest quarter of Section 16 is a gas well, producing from within the limits of the Jalmat Gas Pool. Gulf has advised us that they are considering re-working their Well No. 1 in the northwest quarter of that section, to make a gas well out of it.

It is our position that under all of those circumstances, Section 16 lends itself in an ideal fashion to four 160-acre gas proration units, allocating 160 acres to each of the four wells. To wit: the Leonard Oil Company well in the northeast quarter; the Gulf well in the southeast; the Gulf No. 4 in the southwest and the Gulf No. 1 Well in the northwest quarter of the section.

MR. MALONE: May I ask Mr. Campbell a couple of questions?

MR. MACEY: Yes, sir.

MR. MALONE: It is true, is it not, that Leonard is the owner of only 40 acres in the northwest quarter?

MR. CAMPBELL: I stated that we had approached Gulf on the question, if that is a gas well in the Jalmat Pool, would they consider pooling their acreage for that well.

MR. MALONE: May I inquire whether, at the time the notice of intention to drill the well, the application of Gulf for the 320-acre unit was on file?

MR. CAMPBELL: I believe it was. I do not know when the application was filed. I believe the notice of intention to drill was on file at that time, but, the well had not, of course, been commenced at that time.

MR. MALONE: Thank you.

MR. MACEY: Do I understand the applicant, you still wish to continue Cases 918 and 919?

MR. MALONE: Yes.

MR. MACEY: Is there objection to the continuance of 918 and 919 to July 14th? Without objection the two cases will be continued to that date.

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 7th day of July, 1955.

My Commission Expires:
June 19, 1959

Ada Dearnley
Notary Public, Court Reporter
ADA DEARNLEY & ASSOCIATES
STENOTYPE REPORTERS
ALBUQUERQUE, NEW MEXICO
TELEPHONE 3-6691

BEFORE THE
Oil Conservation Commission

SANTA FE, NEW MEXICO

July 14, 1955

IN THE MATTER OF:

CASE NO. 918

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES

COURT REPORTERS

605 SIMMS BUILDING

TELEPHONE 3-6691

ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
July 14, 1955

IN THE MATTER OF:)
)
)

Application of Gulf Oil Corporation for)
approval of a 280-acre non-standard gas)
proration unit in the Jalmat Gas Pool,)
Lea County, New Mexico, to consist of the)
N/2 S/2, S/2 SE/4, SE/4 SW/4 Section 16,)
Township 25 South, Range 37 East, and to)
be dedicated to applicant's Arnott Ramsay)
"E" Well No. 2, SW/4 SE/4 Section 16.)

) Case 918
)

BEFORE:

Mr. E. S. (Johnny) Walker
Mr. William B. Macey

TRANSCRIPT OF HEARING

MR. MACEY: The next case is Case 918. Are you prepared?

MR. MALONE: May the record show that the witness was sworn
in both cases 918 and 919.

D O N W A L K E R

called as a witness, having been first duly sworn, testified as
follows:

DIRECT EXAMINATION

By MR. MALONE:

Q Will you state your name to the Commission?

A Don Walker.

Q By whom are you employed, Mr. Walker?

A Gulf Oil Corporation.

Q In what capacity?

A Petroleum engineer.

Q You have testified previously before this Commission as an engineer, have you not?

A Yes, sir.

MR. MALONE: His qualifications are acceptable to the Commission?

MR. MACEY: They are.

Q Are you familiar with Gulf Oil Corporation's application in Case 918?

A Yes, sir.

Q What is the purpose of that application?

A The purpose of this application is to obtain a non-standard 280-acre gas proration unit in the Jalmat Gas Pool, described as the North Half of the South Half and the South Half of the Southeast Quarter and the Southeast quarter of the Southwest Quarter of Section 16, Township 25 South, Range 37 East, Lea County, New Mexico.

Q The application originally filed by Gulf in Case No. 918 was republished for the July hearing, was it not?

A Yes, sir.

Q What change was made which occasioned that republication?

A After our application was made previously for a 320-acre unit, it was pointed out to Gulf that we had a well, rather, one of the Gulf people pointed out to me that we had a well producing Yates formation in oil, or the proposed gas unit well also produced from the Yates and that as a matter of company policy we didn't choose to assign the same acreage to both a gas and oil well.

(Marked Gulf's Exhibits Nos.
1, 2, 3, 4 for identification)

Q I hand you an exhibit which has been identified as Gulf's

Exhibit 1 and ask you to state what that is.

A This is a plat indicating the proposed 280-acre unit. It also shows the unit well, which is the Arnott Ramsay "E" No. 2.

Q What is the location of that unit well?

A Six hundred sixty feet from the south line and nineteen hundred eighty feet from the east line of Section 16, Township 25 South, Range 37 East.

Q Will you examine the Exhibit which has been identified as Gulf's Exhibit 2 and state what that is?

A Exhibit No. 2 is very similar to the Exhibit No. 1, except we have a contour map showing the top of the Yates formation.

Q Will you examine the exhibit which has been identified as Gulf's Exhibit 3 and state what it portrays?

A It is more of an area plat showing operators' wells in the area and also shows units and indicates gas wells of those units which have previously been approved for Jalmat gas well units.

Q I notice on Exhibit No. 3 that some of the wells have been recolored in green crayon. What does that indicate?

A I believe it indicates the unit well.

Q Will you examine Gulf's Exhibit 4 and state what it is?

A Gulf's Exhibit No. 4 is a sample log for the gas well, which, of course, is the Arnott Ramsay "E" No. 2.

Q Were Gulf's Exhibits 1, 2, 3 and 4 prepared by you or at your direction?

A Yes, sir.

Q Give the Commission a brief history of the Arnott Ramsay "E" No. 2 well which is proposed to be the unit well.

A This well was completed on February 14, 1940, at a total

depth of 3153 feet in the Jalmat Gas Pool. It is producing through 7-inch casing and from openhole from the interval 2830 to 2153, which is from within the vertical limits of the Jalmat Gas Pool as designated by Commission Rule R-520.

Q You have testified as to the acreage shown on the exhibits which is to be included in the proposed unit. Who is the owner of the operating rights of all the acreage in the unit?

A Gulf Oil Corporation.

Q By whom is the royalty under that lease owned?

A The State of New Mexico.

Q Will you refer now to Gulf's Exhibit No. 1 and to the well which is shown in the southwest quarter of the southwest quarter. I believe you testified that was an oil well?

A Yes, that is an oil well producing from the Yates formation, I believe it is in the Langley-Mattix Oil Pool.

Q It is because of that fact that it was excluded from the present boundaries of the proposed unit?

A That is right.

Q What information do you have as to the ability of the Arnott Ramsay "E" No. 2 to produce the increased allowable, in the event that the unit applied for is granted?

A The well when these calculations were made, had an allowable for 160 acres at -- based on 280-acre unit allowable; the allowable on the calculated would be 994 MCF per day. The calculated open-flow is 950 MCF based on tests taken in May, 1953, and the deliverability is estimated at 648 pounds, 750 MCF per day.

Q Which would be in excess of the allowable for the proposed unit if granted?

A Yes, sir.

Q Have you studied the information which is available from the Gulf's files and the Commission's files which might indicate whether or not the acreage in the proposed unit can reasonably be presumed to be productive of gas?

A Yes, sir, I think that there is no doubt but what it is productive of gas the whole 280 acres.

Q On what do you base that conclusion?

A Well, looking at the contour map which is a pretty good key as to the productivity of the area concerned, together with the fact that it is nearly completely surrounded by gas wells producing from this pay and from this designated gas pool.

Q In your opinion would the approval of Gulf's application in Case 918 prevent waste?

A Yes, sir, it would prevent waste.

Q Would the correlative rights of any interested parties be adversely affected by the approval of the application?

A We do not feel that they would be adversely affected in any way whatsoever.

Q Have you any further information in connection with the application in Case 918 which you would like to give the Commission?

A I believe there is one thing we didn't cover. This gas well doesn't make any fluid. That probably is all I need to say there.

Q I understood you to say the well was making no fluid?

A No fluid. The gas in this well is purchased by Permian Basin Pipeline Company. Probably that is all I have to say, Mr. Malone.

MR. MALONE: We offer in evidence Gulf's Exhibits 1, 2, 3 and 4.

MR. WALKER: Any objection to the admission of the exhibits? If not, they will be admitted.

MR. MALONE: That is all we have on direct.

MR. WALKER: Anyone have any questions of the witness? Mr. Campbell.

MR. CAMPBELL: Jack M. Campbell, Roswell, New Mexico. If the Commission please, entering a protest to this application on behalf of Leonard Oil Company, who is the owner of the gas well on the gas unit immediately south of the acreage applied for here.

CROSS EXAMINATION

By MR. CAMPBELL:

Q Mr. Walker, Exhibit No. 3, which is your area plat --

A Yes, sir.

Q -- indicates, does it not, that all of the units which have been approved to date surrounding the proposed unit have been either 160-acre units or less, does it not?

A That is right. You are aware that the pool rules are set up for 640-acres as the basic unit.

Q The existing units as they now exist are 160 acres, is that not correct?

A That is correct.

Q Mr. Walker, with reference to Section 16, Gulf is the owner of the working interest in all except the northeast quarter of the northeast quarter of that particular section, is it not?

A Yes, sir.

Q You have at present, in addition to the proposed unit well,

four wells situated on the west side of that particular section, do you not?

A That is right.

Q With regard to your Well No. 1 in the northwest quarter of the northwest quarter, what is the status of that well?

A I believe that well is a closed-in gas well in the Seven Rivers formation, it never has been a very good gas well. Our people feel like with reasonably small expenditure they can plug it back to the Yates and make a good gas well out of it.

Q What would be required to do in the Yates if that were done?

A What work-over procedures would be required?

Q Yes.

A Well, I expect what is normally required in making a gas well.

Q Any gas well?

A That is right.

Q You have actually proposed to do that, have you not, in connection with this development of this section?

A It has been discussed within the company, yes.

Q Do you know whether your proposal to rework that particular well in connection with the development of this 640-acre gas area has been communicated to Leonard Oil Company?

A I can't say what communication was made to Leonard Oil Company. I understand that in our preliminary plans to make a gas unit around that well No. 1, Leonard was included in the plans and they plan to offer Leonard an opportunity to join the unit, but I don't say and I really don't know whether that was done. In other words, we haven't gone along to the re-working of the well yet.

(Leonard's Exhibits 1 and 2
marked for identification.)

Q I hand you what has been marked Leonard's Exhibit 2 and ask you if that appears to be a letter from the Gulf Oil Corporation to Leonard Oil Company?

A Yes, sir.

Q Roswell office?

A Right.

Q Does that letter refer to any other correspondence in connection with the development of this Section?

A This apparently refers to a letter written by Leonard Oil Company June 2nd. This letter is dated June 9th.

Q Letter of June 2nd to Gulf Oil Corporation?

A Yes, sir.

Q Are you personally acquainted with the correspondence at all?

A I have, I believe I have had an opportunity to read it.

Q Could you state to the Commission what the correspondence refers to?

MR. MALONE: I suggest if that is to be done that the letters be read in full.

MR. CAMPBELL: Well, read the letters in full.

A You want me to read the letters?

Q Yes.

A "Gulf Oil Corporation, Drawer 669, Roswell, New Mexico, Attention: Mr. F. E. Curtis, Jr.

Gentlemen:

We propose to drill a well 660' from the north and east lines of Section 16-25S-37E, Lea County, New Mexico, to an approximate

depth of 3000'.

Since Gulf owns the $W\frac{1}{2}NE\frac{1}{4}$ & $SE\frac{1}{4}NE\frac{1}{4}$ Section 16, we would appreciate your advising if you would be interested in participating in the drilling of this well on the following basis:

- (1) In event it should be completed as a commercial oil well, Leonard Oil Company will bear the entire cost and retain the entire working interest.
- (2) In event it should be completed as a gas well, Gulf would communitize its acreage with Leonard's in order to secure a 160-acre gas unit; the cost of said gas well to be borne proportionately with proceeds from gas sales to be divided accordingly.

Yours very truly,

LEONARD OIL COMPANY

By Robert J. Leonard"

Gulf's answer to that, do you want that, Mr. Campbell?

Q Yes.

A "Leonard Oil Company, P. O. Box 708, Roswell, New Mexico,
Attention: Mr. Robert J. Leonard

Gentlemen:

With reference to your letter of June 2 wherein you inquired as to our attitude toward participating in the drilling of a well at the location described as:

Center $NE\frac{1}{4}$ $NE\frac{1}{4}$ Section 16-25S-37E,
Lea County, New Mexico,

this is to advise we would not be interested in such participation. We contemplate working over our No. 1 well located at Center $NW\frac{1}{4}$ $NW\frac{1}{4}$ of this Section which we believe to have good prospects for gas production in the Yates formation. Should this well prove to

have sufficient potential, we would, of course, request an allowable for a minimum of 280 acres. Under these circumstances we would thus entertain some proposal from you as to the inclusion of your 40 acres insofar as gas rights are concerned. We have made several trades with other operators under similar conditions where we either gave (if non-operator), or received (if operator) a nominal overriding royalty interest in the gas rights.

If such a proposition would be of interest to you, please so advise and we will attempt to consummate some trade that would prove mutually satisfactory.

Very truly yours,

/s/ E. S. Grear "

Q Mr. Walker, subsequent to that correspondence, you are aware of the fact, are you not, that a well is drilling in the northeast quarter of the northeast quarter of Section 16?

A Yes, sir.

Q I gather from this correspondence that Gulf at that time was willing to work over its Well No. 1 in order to provide for a 280 or 320-acre unit, as circumstances indicated?

A That is right.

MR. CAMPBELL: I would like to offer those two exhibits in evidence and request that photostatic copies which I have be substituted for the original letters.

MR. MACEY: Is there objection?

MR. MALONE: On behalf of Gulf, we have no objection to the Commission receiving those letters, but in connection with them, we would like to point out that they relate entirely to the question of what unit or units shall be established in the north half of the

Section and have no relation to the south half, which is the subject of the application now being heard.

MR. MACEY: The exhibits will be received in evidence.

MR. CAMPBELL: May I withdraw those and substitute photostatic copies?

MR. MACEY: Yes.

Q Mr. Walker, your well No. 4 in the northwest quarter of the southwest quarter of Section 16 is a gas well, is it not?

A It was so classified by letter from the Commission dated March 8 as the ratio at that time of 129,000, I believe about that range and was reclassified from an oil well in the Langlie-Mattix Pool to a gas well in the Jalmat.

Q That well, then, is presently a gas well in the Jalmat Gas Pool?

A It is presently a closed-in gas well in the Jalmat Gas Pool.

Q I would like to ask the Commission to take administrative notice of their own files with reference to a communication of March 8, 1955, in connection with the Arnott-Ramsay "E" No. 4 well, which is the form letter of the Commission advising that it has been reclassified as a gas well in the Jalmat Gas Pool. I have a photostatic copy of that letter which I would like to have made a part of the record in this case.

(Leonard's Exhibit 3 marked for identification.)

MR. MALONE: We have no objection.

MR. CAMPBELL: I offer it in evidence as Exhibit No. 3.

MR. MACEY: Without objection it will be received.

Q What do you propose to do with the Well No. 4?

A We propose to leave the well closed in and assign the acreage which could be assigned to that well to the Arnott-Ramsay "E" No. 2.

Q What is your reason for doing that?

A Well, it is quite simple. The reason being that we would have to put a booster on that. It is a low-pressure well; it has been an oil well all these years. You can't run it into a high-pressure gas line and get any gas out of it. We don't want to produce it as a gas well.

Q Isn't there a possibility of re-working that well to provide for a gas well for that 160-acre unit?

A We don't see any necessity at all. We have a perfectly capable gas well in Arnott Ramsay "E" No. 2 which will make enough gas for the whole Section, particularly the half Section.

Q You feel that your Arnott Ramsay "E" No. 2 well is a lot better well?

A Yes, sir, definitely.

Q So you propose to keep shut in your Arnott-Ramsay No. 4 if this unit is approved?

A That is right.

Q Let me ask you one other question. If you are willing to spend the money to work over your Well in the northwest quarter of the northwest quarter, why are you unwilling to spend your money to work over the Arnott Ramsay No. 4 well?

A Well, we feel that our well No. 2 is properly located to drain the area concerned and for the whole south half of Section 16, and actually the same thing bears with the Well No. 1 in the north half. It is not as well located as Well No. 2 in the south half, but we think that we could probably make a good enough well out of

it to get our allowable there. That is not assured, we know that Well No. 2 is good enough.

Q Your Well No. 2 is situated 660 feet north of the Section line, is it not?

A Yes.

Q The Leonard Oil Company Lanhart Well No. 4 which, according to your Exhibit No. 3 is the unit well for the unit to the south of you, is situated 690 feet from the Section line, is that correct?

A Yes, sir.

Q Mr. Walker, as an engineer, is it your opinion that if this additional allowable is granted to the Arnott Ramsay No. 2 well, that it is going to drain gas from the area below the Section line to greater extent than the area in the north part of the unit?

A Well, I believe most of us feel, Mr. Campbell, that there probably is some drainage, but we considered compensating drainage. In other words, we feel that it doesn't make much difference which side of the unit your well is on, you will just get your part according to the allowable and maybe you will get a little bit of someone else's and they will get someone else's.

Q That is true if you have a large number of units and a large number of wells?

A Yes, sir.

Q If you don't have a large number of units and a large number of wells, your compensatory feature is pretty well eliminated, isn't it?

A Well, that is probably minimized.

Q You didn't exactly answer my question. Do you feel that it will drain gas to greater extent from the area to the south of

the well --

A Well, I don't believe that I can tell you for sure exactly the radius of drainage. We consider actually that it probably will be certain around the well.

Q This well is 330 feet closer to the line than the Leonard Well?

A That is right.

Q You stated in your opinion this area is all reasonably presumed to be productive of gas. On what do you base that, with regard to the area to the east of your unit well there, the proposed unit Well No. 2?

A Well, I believe you have my structure map there. Let me look at it just a second.

The 160-acre Section to the east apparently has no gas well on it. In other words, it is not completely surrounded, but the general trend of the contours indicates that the gas well of Stanolind's up in the northwest quarter of the northwest quarter and the Argo Well down in Section 21 there are practically, well, they are on very similar contour points and we have no doubt in our own minds that the east half of the east portion of that Section is productive of gas.

Q The only controls which you have are the Stanolind well in the northwest northwest of 15 and the Argo well in the south portion of the north half of Section 21, is that correct?

A That is all that has been outlined here, Mr. Campbell.

Q There are no other gas wells to the east at all, are there, that is, the immediate area there?

A I can see wells on the map, but they haven't been spelled

out to me to the point that I can answer that.

MR. CAMPBELL: I believe that is all.

MR. MACEY: Any further questions of the witness? Mr. Montgomery.

By MR. MONTGOMERY:

Q If this unit was granted, would it cause premature abandonment of Well No. 4? Possibly the losses would not be recovered?

A I don't believe I know just exactly what they would do with that well, Mr. Montgomery. On the present ratio limit, we could make approximately one barrel of oil per day out of it with every 125,000 MCF, or 125 MCF. I don't believe I am prepared to answer that question. We would have to look into that a little further.

Q Being State acreage, my information, of course, the Commission reclassified that well as a Jalmat, I am sure that is the information that I have now, that the well was completed in all the Seven Rivers even the lower part of the Seven Rivers. The way we intend to classify those, we put them in the Langlie Mattix. The casing is set at the very top, therefore, you have some Jalmat in that well. We wonder if it were mechanically completed a little differently --

A (Interrupting) I would think that from past procedures they would certainly try to do something to the well to recover it as an oil well.

Q In regard to leaving out Well No. 3, which is productive of oil in the Yates, is it your policy to try not to dedicate any acreage that you think is reasonably productive of oil in the gas unit?

A We have so stated in the Eumont case. This area of the Jalmat, I believe this is the first example that I have run into like that.

There may be others that I am not aware of.

Q Well, then, following that line of thought, have you assumed a gas-oil contact in this particular area?

A I believe gas-oil contact is considered to be about a minus 50 in this area by some of the people that know.

Q I am speaking only of the Yates formation in this particular instance. What I am getting at is, looking at your contour map, the Leonard Lanhart Well No. 3, which is shown on this map, is a Yates oil well, and assuming that the gas-oil contact is flat, could possibly only a 160 acres of that unit be productive of dry gas? We have other Yates wells in that area that fall below the contour; the well No. 3 and well No. 5 -- I am recalling from memory on No. 5.

A Yes. Well, judging from the Commission reclassification of our No. 4, it was hard to assume and place it in the Jalmat, it is hard to assume that is anything but gas productive.

Q The well No. 4 does not have the formations open that the well No. 2 and No. 3 have open, if my information is correct?

A That may be true.

Q Then could you assume that if there was a flat gas-oil contact, then that possibly the southwest quarter was not productive of dry gas?

A They go back in and work over No. 4 and find that to be true, I will agree with you. I am not sure at this point.

MR. RIEDER: Mr. Walker, with reference to order R-520 and your well location, is it not true that in accordance with Order R-520, the order that a well so located drains adequately that area?

A That is right.

By MR. MANKIN:

Q Your particular well, is it not completed in the Yates and Seven Rivers?

A Number 2?

Q Yes, sir, the well in question.

A I understood that it is just Yates. The interval is 2830 to 3153. The top of the Yates is 2830. I believe that I had better back off that, Mr. Mankin. I understood it is Yates.

Q It is my understanding it was Yates and Seven Rivers. The well to the south of you, which is the protestant's well, was indicated in the Yates within a 160-acre unit, is that correct?

A Yes, sir.

Q Your particular well has been initially, all along, a very strong well, has it not?

A Yes.

Q The well in the south has been a very weak well, the Leonard Lanhart well?

A Yes.

Q Your well has been constantly overproduced?

A Yes.

Q It is now shut in because of over-production?

A Yes.

Q The well to the south has been constantly under-produced?

A I didn't know that.

MR. MACEY: Anyone else have a question of the witness?

REDIRECT EXAMINATION

By MR. MALONE:

Q You were asked, Mr. Walker, concerning the possibility of the

north half of Section 16 being divided into either two 160-acre units or possibly one 280-acre unit with the Leonard Oil Company having a gas well, if it should get a gas well on its 40 acres. In your opinion, would the question of whether that ends up as two units or one unit materially affect the area which your proposed unit well, the No. 2 well, would drain if this unit is approved?

A I don't see that it makes a great deal of difference what they do in the north half, so far as the well No. 2 is concerned.

Q Exactly. Now, do you know whether or not the Leonard well in the northeast quarter of the northeast quarter was started before they had received a reply from Gulf as to Gulf's plans with reference to the north half of that Section?

A Unfortunately, I don't believe I know that. Mr. Campbell can probably tell us. Do you know, Mr. Campbell, when the well started?

MR. CAMPBELL: It was after June 27, after the letter of June 9th.

Q So that on the basis of the information which has been furnished to you, Leonard started the well in the northeast quarter of the northeast quarter knowing of Gulf's unwillingness to form a unit composed of the northeast quarter?

A That is right. Excuse me, Gulf's unwillingness to go into the expense of drilling Leonard's well when we think we can make our well cheaper. It wasn't unwillingness to join Leonard. I think the original intention was to join Leonard, until they indicated they wanted to drill a well to do it. We didn't want to go to that expense.

Q So the reason for the unwillingness was the unwillingness to

drill a well to drain the gas under the north half of Section 16?

A That is right.

Q With reference to your No. 4 well, which is shut in at the present time, I believe you testified that it was proposed to continue that well shut in unless by working over, it could be made an adequate oil well?

A Which probably should be done.

Q It has been shut in since its reclassification?

A I understand it has, yes, sir.

Q With reference to the reasonable productivity of the east side of the proposed unit, would you say that if the well now being drilled by Leonard Oil Company in the northeast, northeast quarter is a gas well as anticipated by the questions asked, would that indicate that the east side of the proposed unit is productive of gas?

A That would certainly be borne out by the structure map on top of the Yates.

Q It is true, is it not, that on Gulf's Exhibit 3, the Stanolind unit which diagonally corners with this proposed unit is a gas unit and gas is being produced from it in the Stanolind No. 2 well?

A Yes, sir.

Q It is on the basis of that, plus the contours on top of the Yates, that you have testified in your opinion the entire unit would be reasonably presumed to be productive of gas?

A That has been my opinion.

Q That remains your opinion?

A Yes, sir.

Q Is there any reason for Gulf to rework its No. 4 well in an effort to make a gas well out of it, when it can produce the gas under the south half of the Section through its No. 2 well?

A We don't think, we think it would be economic waste to spend the extra money to do it.

MR. MALONE: That is all.

RE-CROSS EXAMINATION

By MR. CAMPBELL:

Q Do you think that the production of the Gulf No. 2 on 280-acre unit allowable would result in the abuse of correlative rights to the Leonard Oil Company lying to the south, with their gas well 330 feet south?

A I believe I answered the similar question a little bit ago, Mr. Campbell; in that we don't feel that actually we will get your gas any more than you will get someone else's gas. We think that the acreage allocation of gas in the shallow gas pools of New Mexico takes care of the location of the well. We can't ideally locate it even on a square 160.

Q Mr. Walker, with reference to the testimony you gave with reference to the Leonard Oil Company well that is drilling, and Stanolind Well No. 2, do you know how long that Stanolind well has been produced?

A No, sir, I don't.

Q It offsets the Leonard 40-acre tract, as well as the balance of the north half of Section 16, does it not?

A Yes, sir.

Q Do you believe that if you are able to re-work the well in the northwest quarter of that Section that you will reasonably com-

pensate, or would compensate, for the drainage from the Stanolind well in the next Section?

A Probably never catch up at this late hour.

MR. CAMPBELL: That is all.

REDIRECT EXAMINATION

By MR. MALONE:

Q Do you think that Leonard Oil will ever catch up if they complete a gas well there? Would your answer be the same with reference to the Leonard well?

A Yes, sir.

MR. MALONE: That is all.

MR. MACEY: Anyone else have a question of the witness? If not, the witness may be excused.

(Witness excused.)

MR. CAMPBELL: I would like to make a statement. It will be very brief. The reason, if the Commission please, that this matter has been discussed, as far as we are concerned, on the basis, is that in this particular area, irrespective of Order R-520, the units have been developed on 160-acre basis; as a result the gas wells are receiving 160-acre unit allowable. We believe that the location of the Gulf well in relation to the Leonard Oil Company lease and gas unit well will result in the abuse of correlative rights of Leonard as a working interest owner and the royalty owners under the Leonard lease.

It seems to us if Gulf is willing to re-work the No. 1 well to provide a well for the northwest quarter, and re-work its well No. 4 to provide a well for the southwest quarter, if it is a gas producing area, then use its No. 2 well for a 160-acre unit for the southeast

quarter as it is now doing, the Leonard Oil Company well, if it is a gas well, will provide the 160-acre unit in the northeast quarter. We believe that 160-acre units in this particular area, in the light of the location of Leonard Oil Company unit and unit well, will best protect the correlative rights of the parties that are offsetting the proposed gas unit here.

MR. MALONE: May it please the Commission, to conclude Gulf's presentation in this case, we would like to point out that Leonard Oil Company has refuted its own argument with reference to the limit on the size of units in this area. To begin with, the order of the Commission made the standard unit in this pool 640 acres, not 160 acres. It is urged by Leonard Oil Company that because it has 160-acre unit south of the proposed 280-acre unit, the 280 should not be approved, but Leonard Oil Company established a 160-acre unit immediately adjacent to only an 80-acre unit to its east, as shown by Gulf's Exhibit 3. So that if the premise on which Leonard here opposes Gulf's application is sound, Leonard had no right to put in 160 because there was an 80-acre unit next to it.

We believe that that points out the wisdom of the Commission's determination in Order R-520 that there be a standard unit of 640 acres, and that non-standard units be approved on an individual basis by the Commission. The considerations which the Commission set up in determining the approval of non-standard units does not include the question of what size other units in the immediate area may be, because if Leonard wanted to enlarge his 160-acre unit, he has a perfect right to do so. While I certainly don't anticipate that he proposes to do so, if the Commission turns down this request for 320-acre unit, Leonard could then go out and enlarge the 160 to 320

and we would be at a disadvantage. The Commission is in a seesaw unless it pursues the policies which it established, and that means that if the Arnott-Ramsay No. 2 well will effectively and efficiently drain the proposed 280 acres and the other requirements of the Order have been met as the evidence would seem to have met them, that the application would be entitled to approval, which is respectfully requested.

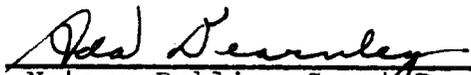
MR. MACEY: Anyone else have anything further in this case? We will take the case under advisement.

* * * * *

STATE OF NEW MEXICO)
 : ss.
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Notary Public and 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 25th day of July, 1955.


Notary Public, Court Reporter

My Commission Expires:
June 19, 1959.