

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
October 28, 1959

EXAMINER HEARING

PHONE CH 3-6691

DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, NEW MEXICO

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IN THE MATTER OF: )

Application of Argo Oil Corporation for a 160-acre )  
non-standard gas proration unit. Applicant, in )  
the above-styled cause, seeks the establishment )  
of a 160-acre non-standard gas proration unit in )  
the Jalmat Gas Pool consisting of the E/2 NE/4 of )  
Section 21 and the W/2 NW/4 of Section 22, Town- )  
ship 25 South, Range 37 East, Jalmat Gas Pool, )  
Lea County, New Mexico, said unit to be dedicated )  
to its B. T. Lanehart Well No. 1, located 2310 )  
feet from the North line and 990 feet from the )  
East line of said Section 21. )

Case  
1794

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BEFORE:

Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

MR. PAYNE: Application of Argo Oil Corporation for a  
160-acre non-standard gas proration unit.

MR. CAMPBELL: If the Examiner please, I am Jack M.  
Campbell, Campbell and Russell, Roswell, New Mexico, appearing on  
behalf of the Applicant. I have associated with me, Bryce Parker,  
attorney for Argo Oil Corporation in San Antonio, Texas. We have  
one witness here to be sworn.

(Witness sworn.)

MR. CAMPBELL: Mr. Examiner, before we proceed I would  
like to refer the Examiner to the plat attached to the application



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and state for the record the nature of the ownership of acreage under that proposed 160-acre gas proration unit. Argo Oil Corporation, the Applicant, owns an undivided one-half interest in the minerals underlying the entire 160 acres. Argo Oil Corporation also owns a lease with common royalty ownership on everything on the other one-half interest except a 3-26 mineral interest under the Southwest Quarter of the Northwest Quarter of Section 22, which has recently been subject to litigation and which is not either under lease or owned by Argo Oil Corporation.

Humble Company owns an overriding royalty of 1-16 on the present unit, which is the East Half of the Northeast Quarter of Section 21 and the 40-acre tract being the Northwest Quarter of the Northwest Quarter of Section 22.

It is our intention, if this application for addition of this 80 acres in Section 22 to this unit is approved, to of course in some manner through voluntary pooling agreement or compulsory pooling arrangement if required since there are a large number of heirs owning that interest, to pool that interest to properly allocate the production.

MR. NUTTER: That would be the interest of the Southwest Quarter of the Northwest Quarter of Section 22 with the interest of the other remaining 120 acres?

MR. CAMPBELL: There are seven and a half acres under that 40-acre tract that has been leased. It has been subject to



litigation over a period of years, and that is why to date the additional 80 hasn't been added to the unit.

MR. NUTTER: This is not seven and a half acres of divided acreage, it is seven and a half divided acres in the 40-acre tract?

MR. CAMPBELL: Right.

MR. NUTTER: Would any order then that the Commission enters be contingent upon communitization?

MR. CAMPBELL: No, I would not think it would be. This is a matter like the chicken and the egg, until we get the authority for the proration unit we are not in a position to seek a voluntary pooling agreement or compulsory pooling order. If the order is entered, it of course will be up to the owner and operator to allocate that production, and he will simply have to hold in suspense that interest until such time as an arrangement is made with all of the heirs through a voluntary or compulsory pooling agreement.

MR. NUTTER: I see.

MR. CAMPBELL: It would be a responsibility I would think of the operator of the unit.

MR. NUTTER: Whatever interest lay there, or isn't that, 40-acre unit that haven't been pooled, the moneys that those interests received would be held in escrow until such time as it had been communitized, voluntary or otherwise?

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MR. CAMPBELL: That's right. Or until they came in and showed, all the heirs came in and claimed the money or something. That frequently occurs where you have a complicated ownership situation.

MR. NUTTER: Thank you.

HARRY C. WINSLOW

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

DIRECT EXAMINATION

BY MR. CAMPBELL:

Q Will you state your name, please?

A Harry C. Winslow.

Q Where do you live, Mr. Winslow?

A San Antonio, Texas.

Q By whom are you employed and in what capacity?

A I am employed by Argo Oil Corporation, Division Engineer, San Antonio Division.

Q Will you give the Examiner a brief resume of your educational and professional background, please?

A I graduated from Colorado School of Mines in 1951 as a Petroleum Engineer, and since that time I have been employed by the Argo Oil Corporation. I'm registered in the State of Texas.

MR. CAMPBELL: Are the witness' qualifications acceptable?



MR. NUTTER: Yes, sir.

Q Mr. Winslow, are you acquainted with the application of Argo Oil Corporation relating to the proposed 160-acre gas proration unit in the Jalmat Gas Pool?

A Yes, sir, I am.

Q Has there been prepared under your supervision a contour map on the top of the Yates formation in that pool?

A Yes, sir. There has been.

MR. CAMPBELL: Will you mark Exhibit 1, please?

(Marked Applicant's Exhibit No. 1, for identification.)

Q I refer you to what has been identified as Applicant's Exhibit 1 in this case and ask you to state what that is.

A Well, Exhibit 1 is a structural map prepared upon the top of the Yates formation in the Jalmat Pool. The well in question is the Argo B. T. Lanehart No. 1 well, that is 990 feet from the East line and 2310 feet from the North line of Section 21.

Q Does that indicate that there are Jalmat gas wells surrounding the acreage that you propose to add to your existing 80-acre proration unit?

A Yes, sir, there are wells to the south, to the east and the northeast of the desirable 80 acres, the 80 acres in Section 22.

Q What is the situation with regard to the structural



position of your well as related to other Jalmat gas wells in the area?

A Well, the portion of the field that is depicted by this contour map I would say that we are about centrally located on the structure in this portion, and proceeding east to encompass the 80 acres in Section 22, we would gain structure in that direction. We would become some 50 to 75 feet higher at the east extremities of the 80 acres.

Q And there is production further east of the acreage that you propose to add to your unit?

A Yes.

Q Based upon your structural contours and upon the existing wells that are situated in the area, in your opinion may the West Half, Northwest Quarter of Section 22, Township 25 South, Range 37 East reasonably be presumed to be productive of gas from the Jalmat Gas Pool?

A Yes, sir, it may be.

Q I believe you have already stated that the well you intend to use is the unit well for the 160-acre unit. What is the identity of that well?

A That is the Argo No. 1 B. T. Lanehart.

Q Situated in the southern portion of the presently existing gas proration unit, is that correct?

A Yes, sir.



Q Will you give the Examiner a brief history of that well, including its original completion date and what has occurred generally with regard to it since that time?

A The well was drilled and completed in December of 1936 and was shut in until May of 1941 when deliveries to El Paso Natural Gas Company commenced. The well, in 1945, first started making some quantities of water. In 1954, January, the well was declared marginal and was produced as a marginal well. In September, 1958, Argo reentered the well, the workover consisted simply of running tubing into the well. We did not treat the formation in any manner and at that time after the workover was completed the deliverability was increased considerably and El Paso commenced taking greater quantities of gas from the well.

In March of 1959 a new deliverability test was run and has been filed with the Commission and then the well was taken off marginal status as of January 1st, 1959. That has resulted in our currently being overproduced.

Q What is the present or the latest test on this well, Mr. Winslow?

A The latest deliverability test run in March of this year showed a deliverability of 447 MCF per day.

Q What had been the previous reported deliverability, approximately?

A The deliverability test run in 1958 showed a

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deliverability of 15 MCF per day.

Q Based upon the present deliverability of the well, and ignoring for the moment the fact that the well is an overproduced status at this time, do you believe that if the additional acreage is added to the unit to make it a 160-acre unit, that this gas well would be able to make a normal or average allowable that might be granted to it under the Commission's proration system?

A Yes, sir, it will be over.

Q And certainly until the overproduction is made up it will have no difficulty in making the production that is allocated to it, will it?

A None whatsoever.

MR. CAMPBELL: I believe that's all the questions I have, Mr. Examiner.

MR. NUTTER: Does anyone have any questions?

MR. PAYNE: Yes.

MR. NUTTER: Mr. Payne.

CROSS EXAMINATION

BY MR. PAYNE:

Q What are the surrounding Jalmat proration units, Mr. Winslow? Do you have any information on that?

A I'm sorry, Mr. Payne, I cannot answer that.

MR. PAYNE: That's all, thank you.

BY MR. NUTTER:

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Q I'm having a little difficulty telling what formation these various wells on your Exhibit No. 1 might be producing from. What do these symbols actually mean?

A Well, sir, the only one to which I have paid any attention, very frankly, is that shown as a gas completions.

Q That's a small circle with a large circle around it and a little star between?

A Yes, sir. We do not have production from any other formations in the area, and at the time that this map was made the geologist, I believe, used those points only for control on the Yates, but probably trying to eliminate confusion in my mind he showed them as oil completions, but I honestly do not know the current status of those oil wells.

Q Are the open circles the gas well symbols such as the ones up there in Sections 16 and 15, are those Jalmat gas completions there?

A Yes, sir.

Q How about this one here in Section 22 that's labeled No. 1, well 9-6-55, is that a Jalmat gas completion?

A Yes, sir, it is.

Q How about the No. 2 labeled 329,054, is that a Jalmat?

A That is also.

Q Go ahead.

A Excuse me. These large numbers are the current



production or the cumulative production as of January 1st of this year.

Q Well, now, down here in Section 21 this No. 2 well in the Southeast of the Southeast, that's a Jalmat gas completion?

A Yes, sir.

Q Now, coming back over here to the west a little bit, what's the No. 4 well in the Northwest of the Northeast of Section 21? It's labeled 9-69482.

A Well, that, Mr. Examiner, is the symbols down here, I can't honestly answer them.

Q They're the same for different things?

A Yes. It is my impression that that is a dually completed well and that it has produced approximately a billion cubic feet of gas from the Yates formation.

Q What I was wondering, if the gas-oil contact may be running through this area somewhere and perhaps we could pin it down if we knew exactly what formation these wells were producing from.

A I have never made a detailed study of the geology, nor have I looked at the characteristics of the gas-producing formations other than that of our own well. I have looked at the other in general, but nothing specifically. I can say that our well has made no oil, it has produced only gas with just troublesome amounts of water.

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Q Presently dedicated to this well is the 80 acres being the East Half of the Northeast Section of 21?

A Yes.

Q By deed indicating additional acreage you are coming up the structure?

A Yes.

Q So you would have a better chance of getting into gas acreage than you even are right now maybe?

A Yes, sir.

MR. CAMPBELL: Is the Lanehart Well No. 4 lying immediately west of the present unit in Section 21, a Jalmat gas well? There seems to have been some question, I don't have the plat in front of me.

MR. NUTTER: That is a Jalmat.

MR. PAYNE: It appears, Mr. Winslow, that all the surrounding acreage to the 80-acre unit which you have now is dedicated to a Jalmat gas well with the exception of the 80 which you propose to add on here.

A Yes, sir, Mr. Payne, that is correct.

MR. PAYNE: Mr. Winslow, do you know the Commission order or the order number entered after the hearing which established this 80-acre unit?

MR. CAMPBELL: I don't have that.

A I am sorry, Mr. Payne.

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MR. PAYNE: Assuming that the application is granted it will be necessary to cancel that?

MR. CAMPBELL: It would be necessary to cancel it or make some reference superceding it in some fashion.

Q (By Mr. Nutter) Are any wells presently completed on the 80 acres which you propose to add to the existing unit?

A No, sir, there are none.

MR. NUTTER: Are there any other questions of this witness?

MR. CAMPBELL: I would like to offer Applicant's Exhibit No. 1 in evidence.

MR. NUTTER: Argo's Exhibit No. 1 will be entered in evidence. Any further questions of the witness? He may be excused.

(Witness excused.)

MR. NUTTER: Does anyone have anything further they wish to offer?

MR. PAYNE: I have a question to ask Mr. Campbell.

MR. NUTTER: Mr. Payne.

MR. PAYNE: If we establish a 160-acre unit here and you be unable to get a voluntary communitization of this tract, what happens then?

MR. CAMPBELL: Well, of course, in the first place let me point out that this particular interest, the 3-16 acre tract



under that particular acre tract is now being drained, it has no acreage or well allocated to it. This will work to the advantage to start with. If we are unable to obtain a pooling agreement, we would then have to seek a compulsory, or continue to hold the interest in suspense until such time as the interest owners make claim to it and litigate it with them.

There have been a number of cases, of course, here where you have a large number of heirs, usually where you are unable to negotiate or to find them all, in some instances where you simply have to come in and seek a compulsory order. Until this unit is approved, until we know we can allocate production to it, there's not much point in trying to negotiate a voluntary agreement, because we don't know what we are negotiating on.

MR. PAYNE: It's your theory then, I assume, that the Commission has the authority to grant a non-standard unit even though it hasn't been communitized, and at a subsequent date enter a forced pooling order?

MR. CAMPBELL: That is my opinion.

MR. PAYNE: You don't feel that the forced pooling order necessarily would have to come first?

MR. NUTTER: No, sir.

MR. CAMPBELL: No, sir.

MR. NUTTER: Does anyone have anything further to offer in Case 1794? We'll take that case under advisement and take 1793.

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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 4<sup>TH</sup> day of November, 1959.

*Ada Dearnley*  
\_\_\_\_\_  
Notary Public-Court Reporter

My Commission expires:  
June 19, 1963.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 1794 heard by me on 10/28, 1959.

*[Signature]*, Examiner  
New Mexico Oil Conservation Commission

