

BEFORE THE
OIL CONSERVATION COMMISSION
in the
STATE CORPORATION COMMISSION
HEARING ROOM, BASEMENT
CAPITOL BUILDING
Santa Fe, New Mexico
July 6, 1960

EXAMINER HEARING

IN THE MATTER OF:

Application of Argo Oil Corporation for an order force-pooling the interests in a 160-acre non-standard gas proration unit in the Jalmat Gas Pool. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests within the vertical limits of the Jalmat Gas Pool in a 160-acre non-standard gas proration unit consisting of the E/2 NE/4 of Section 21 and the W/2 NW/4 of Section 22, both in Township 25 South, Range 37 East, Lea County, New Mexico.)

Case 2005

BEFORE:

Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

MR. UTZ: Case 2005.

MR. PAYNE: Application of Argo Oil Corporation for an order force-pooling the interests in a 160-acre non-standard gas proration unit in the Jalmat Gas Pool.

MR. CAMPBELL: This Transcript contains some Exhibits which reflect the ownership in this area, and the plats that were introduced in that case. I have one witness and possibly I will have to testify. After this witness finishes I will take up that

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matter with the Examiner to see what you wish to do in that regard.

(Witness sworn.)

CLAUDE NEELEY

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

DIRECT EXAMINATION

BY MR. CAMPBELL:

Q Will you state your name, please?

A Claude Neeley.

Q By whom are you employed, Mr. Neeley?

A Argo Oil Corporation.

Q In what capacity?

A As Division Landman for the Midland Division.

Q And you reside in Midland, do you?

A Yes, sir.

Q Mr. Neeley, would you state to the Examiner what the records of the Argo Oil Land Department reflect with regard to the ownership of the East 1/2, Northeast 1/4 of Section 21, and West 1/2, Northwest 1/4 of Section 22, Township 25 South, Range 37 East, Lea County, New Mexico?

A Our records indicate that Argo owns a one-half mineral interest under the East 1/2 of the N. E. 1/4 of Section 21 in the West 1/2 of the N. W. 1/4 of Section 2, Township 25 South, Range 37 East. Argo also owns a lease, a one-half interest under the East 1/2 of the N. E. 1/4 of Section 21 in the N. W. 1/4 of the N. W. 1/4

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of Section 22. Argo also owns a lease on 43/128 under the S. W. 1/4 under the N. W. 1/4 of Section 22. By virtue of the Supreme Court Decision of New Mexico of December the 26th, 1957, the heirs of B. T. Lanehart, Deceased, own a 21/128 under the S. W. 1/4 of the N. W. 1/4 of Section 22.

MR. UTZ: What was that location again?

THE WITNESS: S. W. 1/4 of the N. W. 1/4 of Section 22.

Q (BY MR. CAMPBELL) Mr. Neeley, how many heirs are there involved in that Estate, to your best knowledge?

A To my best knowledge, there are forty-six known heirs.

Q And, there has been no determination of heirship in that Estate, has there?

A No, sir.

Q And, has Argo Oil Corporation obtained from this Commission an order of establishing a non-standard gas proration unit consisting of the East 1/2, N. E. 1/4 of Section 21, and the West 1/2, N. W. 1/4 of Section 22?

A Yes, sir.

MR. CAMPBELL: That is all the questions I have of this witness. I might review that ownership. The fact is that Argo Oil Corporation owns a one-half mineral interest. Argo also owns a one-half leasehold interest on all except the Southwest of the Northwest 1/4 of Section 22. It owns a leasehold interest on that forty acre tract on 43/128 and the 21/128 interest that was determined by the Supreme Court to be owned by the heirs of B. T. Lanehart. I might



explain, for the benefit of the attorneys for the Commission, that the case involved a determination or construction of a Mineral Deed by which B. T. Lanehart conveyed to John Lanehart as lessor or Argo Oil Corporation. In other words, it was one of those mineral conveyances that involved the fractional $1/8$ in the Mineral Deed, and the Supreme Court overruled the District Court that conveyed the $1/16$ interest rather than the $1/2$ interest in the minerals. I have letters which I would like to offer in evidence when you finish with this witness, which I have communicated with the attorney for the majority of these forty-six heirs, advising them of the circumstances and if there are questions of this witness, of course, I will wait.

MR. PAYNE: I have one question. Does Argo have the 160 dedicated to this well now?

THE WITNESS: Yes, sir.

MR. PAYNE: And, actually Argo is not the entire working interest owner of that 160, of all the 160?

THE WITNESS: Not of all the 160, no.

MR. UTZ: $21/128$ interest under the 160 acres is computed. In other words, there is a $21/128$ interest under the North of the unit.

MR. PAYNE: It may be that the Commission was in error in assigning the allowable based on this entire 160 prior to communitization or forced pooling.

MR. CAMPBELL: That, perhaps, is correct. However, there



is a minor amount of base involved because of both of the fractional interests, and because of the fact this well, as the Commission will recall, was over-produced and is now producing on the very limited schedule, making up the over-production over a longer period of time because of liquid difficulties. So if that adjustment is required under the Commission Rules, it would not involve loss of allowable to anyone else, and would merely be a matter of adjustment as between the owner of the property.

MR. PAYNE: I see, thank you.

Q (BY MR. UTZ) Mr. Neeley, other than the 21/128 interest under the S. W. of the N. W. of 22, which I understand belongs to the forty-six B. T. Lanehart heirs, is there any portion which you are desiring to force-pool, or does that include all of it?

A That includes all of it, yes.

MR. CAMPBELL: I expect a forced pooling order, Mr. Examiner, that is a legal point and I think might have the effect of pooling the John Lanehart lease on the 43/128 under the S. W. 1/4 of the N. W. 1/4 of Section 22, which John T. Lanehart owns a 28/128 interest, those are two separate leases, however. The John T. Lanehart on the S. W., N. W. of Section 22 contains a pooling clause subject to the approval of this Commission. Argo is actually seeking this pooling as owner under the individual one-half mineral rights under the S. W., N. W. 1/4 of Section 22.

MR. UTZ: Let's be sure we have this, at least in my mind. I am sure it's in the record, the description of these two leases.



The B. T. Lanehart lease is what Section?

MR. CAMPBELL: The John T. Lanehart lease is, as of February the 17th, 1955, covers the S. W. 1/4 of the N. W. 1/4 of Section 22, Township 25 South, Range 37 East.

MR. UTZ: O. K. What's the other one?

THE WITNESS: The other lease covers the other 120 acres.

MR. UTZ: Yes, sir.

THE WITNESS: The original lease was Humble Oil and Gas, and we took it on a farm-out from them. I don't remember the date of the lease.

MR. CAMPBELL: I have it, Mr. Examiner. The lease is dated May the 7th, 1936, and Humble assigned it to Harry Leonard Reserve 1/16 overriding royalty interest, and subsequently assigned to Argo Oil Corporation, subject to over 1/16 under the 120 acres. That interest, I presume, would be pooled.

MR. PAYNE: Does each of the two leases involved contain a pooling clause?

MR. CAMPBELL: The old lease does not.

MR. UTZ: That is the balance of the 120 acres?

MR. CAMPBELL: That is right, half interest.

MR. UTZ: Are there other questions?

Mr. Neeley, I note that our records reflect that the South 1/2 of the Southwest of Northwest, Section 22, is not dedicated to any unit in the Jalmat Gas Pool, are you familiar with that?

THE WITNESS: No, sir, I am not.



MR. CAMPBELL: What was that description again?

MR. UTZ: The South 1/2 of the Southwest of the Northwest.

MR. CAMPBELL: That is in our unit. South 1/2 of the Southeast of the Northeast.

MR. UTZ: I mean the Southeast, I'm sorry. That acreage, according to our records, is not dedicated to anything. You were not aware of that?

THE WITNESS: The South 1/2, no, sir, I was not aware of that.

MR. UTZ: I presume that your Company would not be interested in trying to communitize that particular area, since you haven't made any attempt to.

THE WITNESS: I am sure that is correct, yes, sir.

MR. UTZ: Any other questions? The witness may be excused.

(Witness excused.)

MR. CAMPBELL: I have some documentary evidence from my files, which I would like to offer in the record in this case for the purpose of evidencing the effort by Argo Oil Corporation to obtain a voluntary pooling agreement. I would be glad to be put under oath if the Examiner desires, in order to identify these letters.

MR. PAYNE: Inasmuch as there are some court cases involved, maybe we better.

(Whereupon, Exhibits 1 through 5 were marked for identification.) (Witness sworn.)



JACK CAMPBELL

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

DIRECT EXAMINATION

BY MR. PAYNE:

Q Mr. Campbell, would you explain to the Examiner what these documents are, and the significance of them?

A Mr. Examiner, you will recall hearing of this non-prorated unit, and has been reflected in the Transcript which I made a part of the record in this case. I indicated to the Commission that we would attempt to obtain a Voluntary Pooling Agreement after a determination of heirship, and if we are unable to do so, we might be forced into seeking a compulsory pooling order. Based upon that statement I contacted, by letter of February 12, 1960, which is Exhibit Number 1 in this case, G. T. Hanners in Lovington, who represented a majority, a considerable majority of the heirs in the litigation over the Quiet Title that went to the Supreme Court. The letter of February 12, is my first communication to them. Do you desire for me to read that letter, or do you wish to have me explain it?

MR. PAYNE: You may explain, in general, what it is.

A I simply wrote Mr. Hanners, we advised the order re-creating the gas proration unit, and asked him if he would attempt to get a determination of heirship in the B. T. Lanehart Estate, and they attempted to do so in that Quiet Title suit in the Supreme Court,

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and they refused to permit the counter-claim, the Quiet Title sought on the basis of getting statutory action, and I pointed out there are a large number of heirs involved, and the best way to handle the situation would be for him to obtain a determination of heirship and furnish Argo with that information so that we can either prepare a Voluntary Pooling Agreement for signature by all the heirs, or ask the Oil Conservation Commission to combine pooling these interests. Inasmuch as there is no production from the S. W. 1/4, N. W. 1/4 of Section 22, and since the heirs have a working interest, it would appear to me it is definitely to the advantage of the heirs to make the necessary arrangements to participate in the production from the Argo well. Then I pointed out to him the well was on the restricted allowable. Then I told him also, that until the interests of the B. T. Lanehart was pooled, we would simply have to hold the revenues that accrued to the benefit of those heirs in suspense.

I heard nothing from Mr. Hanners, and on May 16th I wrote him again. This is Exhibit Number 2. Making reference to my prior letter, and asking him whether there had been a determination of heirship so we could prepare a Voluntary Pooling Agreement, and then I said I would appreciate it very much if he would advise me as to the status of this matter, as I would like to prepare a Voluntary Pooling Agreement, if the heirship has been determined, or I would like to proceed with a filing of an application before the Oil Conservation Commission for the pooling of the acreage.

Again I heard nothing from Mr. Hanners, and on June 9th I



wrote him again, prior to the actual filing of this application, making reference to my prior letters, and then I said: Inasmuch as I have not heard from you, I assume that you do not plan to seek such a determination of heirship at this time and I have, therefore, prepared an application before the Oil Conservation Commission for an order pooling the interests under the gas proration unit. Of course, it is difficult to see how Argo can make any payments to the B. T. Lanehart heirs until there is a determination of heirship and until proper arrangements are made for the heirs' participation in the cost of the well and its operation. Should you have any suggestions about the procedure being used in this matter, I would appreciate hearing from you.

Exhibit 4, which is a letter of June 9th to Mr. Bryce Parker of Argo, is simply to confirm the application. I did send Mr. Hanners a copy of this application before the Commission. I have heard nothing from Mr. Hanners with regard to this matter and such royalty or other interests that may accrue, or have accrued, since the granting of an allowable to this entire unit is, of course, held in suspense by Argo, and will be held in suspense until such time as there is a determinable heirship and until the parties are able to work out arrangements for their participation in the cost of the well in the operation of the well on the unit.

Q (BY MR. PAYNE) There is no way the heirs can actually be hurt by this allowable?

A It would appear to me, unless their interest is pooled and



the proration unit is continued in its present form, that they simply will be drained by the virtue of the well on the 120 unit and the surrounding gas wells in that area.

Q Their interest is so small that it would hardly be feasible for them to drill a well.

A It would certainly seem to me economically unfeasible for them to drill a well on the 21/128 under a 40 acre tract, inasmuch as it apparently would be a gas well.

MR. UTZ: Are you expecting them to share the cost of the well?

A We certainly do, Mr. Examiner, I think initially, at least. We will later have negotiations between the parties. We are not asking the Commission, at this time, to include in its order any requirements with regard to that. We believe that it should be worked out, if at all possible, through negotiations between the parties. In the event that proves impossible, and if there is a sizable amount involved, of course, where we have a right, I assume, to ask the Commission under statutory power to make such orders as it sees fit in that regard. I don't anticipate that will be necessary.

MR. UTZ: Any other questions? If not, the witness may be excused.

(Witness excused.)

MR. CAMPBELL: I would like to offer in evidence Applicant's 1, 2, 3 and 4.

MR. UTZ: Without objection, they will be accepted into



the record.

MR. CAMPBELL: You might observe, I have been before the Commission many times, but this is the first time under oath.

MR. UTZ: The Examiner, at this time, will incorporate 1794 in the record as 2005.

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I N D E XWITNESS:PAGE:

CLAUDE NEELEY

Direct Examination by Mr. Campbell

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JACK CAMPBELL

Direct Examination by Mr. Payne

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E X H I B I T S

<u>Number</u>	<u>Exhibits</u>	<u>Marked for Identification</u>	<u>Offered</u>	<u>Received</u>
Appl 5	1,2,3,4,5	7	11	11-12

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STATE OF NEW MEXICO)
)
 COUNTY OF BERNALILLO) ss

I, LEWELLYN NELSON, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing was reported by me in Stenotype, and that the same was reduced to typewritten transcript under my personal supervision and contains a true and correct record of said proceedings, to the best of my knowledge, skill and ability.

DATED this 18 day of July, 1960, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Lewellyn F. Nelson
 NOTARY PUBLIC

My Commission Expires:

June 14, 1964

I do hereby certify that the foregoing is
 a complete record of the proceedings in
 the Examiner hearing of Case No. 2005,
 heard by me on July 6, 1960.

[Signature], Examiner
 New Mexico Oil Conservation Commission

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