

dearnley, meier & mc cormick

209 SIMMS BLDG. • P.O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO 87103
1216 FIRST NATIONAL BANK BLDG. EAST • ALBUQUERQUE, NEW MEXICO 87108

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
OIL CONSERVATION COMMISSION CONFERENCE ROOM
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
Wednesday, June 6, 1973

EXAMINER HEARING

_____)
IN THE MATTER OF:)
)
Application of Brunson)
and McKnight for a unit)
agreement, Lea County,)
New Mexico.)
_____)

Case No. 4982

BEFORE: Richard L. Stamets
Examiner

TRANSCRIPT OF HEARING

1 MR. STAMETS: Call next Case 4982.

2 MR. CARR: Case 4982, application of Brunson and
3 McKnight for a unit agreement, Lea County, New Mexico.

4 MR. RICHARDSON: Randolph M. Richardson, Roswell,
5 New Mexico, appearing on behalf of the Applicant.

6 BYRON MC KNIGHT,

7 was called as a witness and after being duly sworn, according
8 to law, testified as follows:

9 MR. RICHARDSON: We have a geological report
10 consisting of six parts which has been marked Exhibits 1
11 through 6 which we would like to submit with this case.

12 MR. CARR: Do you have another copy of the exhibits.

13 MR. RICHARDSON: Yes. He has one to testify from.

14 MR. CARR: Okay. Fine, thank you.

15 DIRECT EXAMINATION

16 BY MR. RICHARDSON:

17 Q Mr. McKnight, would you please state your name and present
18 occupation?

19 A Byron McKnight an independent oil and gas producer in
20 Hobbs, New Mexico.

21 Q Will you please state your educational and professional
22 background which will enable you to testify as an expert?

23 A I'm a graduate of the University of Texas with a BS
24 Degree in Geology and worked for Humble Oil and Refining
25 Company for several years and been independant for six

dearnley, meier & mc cormick

209 SIMMS BLDG. • P.O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO 87103
1216 FIRST NATIONAL BANK BLDG. EAST • ALBUQUERQUE, NEW MEXICO 87108

- 1 years.
- 2 Q Are you familiar with the Ojo-Chiso area and the matters
- 3 of approval of the unit agreement?
- 4 A Yes, I am.
- 5 MR. RICHARDSON: Are the qualifications acceptable?
- 6 MR. STAMETS: They are.
- 7 Q Is it a form of unit agreement prescribed by the Federal
- 8 Regulations and as recently approved by the Commissioner
- 9 of Public Land?
- 10 A Yes.
- 11 Q Has the unit area been designated by the USGS as an area
- 12 logically suitable for development under a unit map of
- 13 development?
- 14 A Yes, it has.
- 15 Q Will you please tell the Commission the total number of
- 16 acres within the unit area and the number and percentage
- 17 of Federal lands and State lands?
- 18 A The total unit acreage is 5120 acres consisting of 3,840
- 19 acres of Federal lands and 1,280 acres of State land.
- 20 Q And the State land is what, 75, 25 percent of the total
- 21 area?
- 22 A Represents 25 percent of the total unit area.
- 23 Q And the Federal land is 75 percent?
- 24 A Seventy-five.
- 25 Q Would you please tell the Commission the Township and Range

dearnley, meier & mc cormick

209 SIMMS BLDG. • P.O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO 87103
1216 FIRST NATIONAL BANK BLDG. EAST • ALBUQUERQUE, NEW MEXICO 87108

- 1 in which the unit is located and the approximate distance
2 to the nearest town?
- 3 A The unit is located in Township 22 South, Range 34 East,
4 Lea County, New Mexico, and is some 16 miles West of
5 Eunice, New Mexico.
- 6 Q Would you please refer to your geological report at this
7 time which has been marked Exhibits 1 through 6? Was
8 this report prepared by you or others directed under your
9 control and supervision?
- 10 A Yes, it was.
- 11 Q Now, would you please review the report going through the
12 name and stating the significance of such maps and cross
13 section and --
- 14 A The written report discusses the various maps for the
15 number going from shallow to deep being the Yates, Strawn,
16 Bone Springs, and Devonian structure maps; and we have
17 a cross section which depicts the structural and
18 stratigraphic relationship between the nearby producing
19 fields and the prospect area.
- 20 I direct your attention to the Yates structure map
21 which is the most well-controlled structure map that we
22 have more well-control in shallow wells.
- 23 Q That is Exhibit Number 2?
- 24 A The location of the proposed well will be 1980 feet from
25 the North line and 660 feet from the West line of Section

dearnley, meier & mc cormick

209 SIMMS BLDG. • P.O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO 87103
1216 FIRST NATIONAL BANK BLDG. EAST • ALBUQUERQUE, NEW MEXICO 87108

1 23 which you will note is on the crest of the Yates
2 structure and will be subsequently demonstrated on the
3 crest of the other structures.

4 This is basically a seismic prospect. The seismic
5 work was done by Mr. MacMillan consulting geologist of
6 Roswell, New Mexico; and I did the geological work that
7 was involved with it.

8 The next map with depth is the Bone Spring map.
9 This is a seismic map giving that we have no, virtually
10 no well-control in the prospect area. We feel that we
11 can get structurally high to the Phillips dry hole
12 located in Section 26 on the prospect area.

13 Q The Bone Springs map is marked Exhibit Number 4.

14 A The Strawn map has been prepared for your examination.

15 MR. STAMETS: Exhibit Number 3 is labeled Strawn.

16 MR. RICHARDSON: Right. Exhibit Number 4 was Bone
17 Springs. We got them out of order.

18 A The Strawn map depicts the structural configuration of the
19 Strawn formation which will be the first or at least one
20 of the major objectives of this test.

21 MR. STAMETS: We already discussed the Strawn map
22 back in Exhibit 3. Except I think we called it Bone
23 Springs.

24 THE WITNESS: Well, there is a Strawn map and there
25 is a Bone Springs map.

1 MR. STAMETS: Which one is Exhibit 3?

2 MR. RICHARDSON: The Strawn. The Bone Springs should
3 be Number 4.

4 MR. STAMETS: Okay. Which exhibits were you
5 discussing now?

6 THE WITNESS: We previously discussed the Bone Springs
7 which is Exhibit 4, and now we are discussing the Strawn
8 which is Exhibit 3.

9 MR. STAMETS: Okay.

10 A I placed these maps in stratigraphic order and Mr.
11 Richardson placed them in a --

12 Q As they came.

13 A The Strawn will be considered one of the major objectives
14 for the prospect. The last map is the Devonian map which
15 is Exhibit 5, and it's considered to be the major
16 objective for the prospect.

17 The cross section which accompanies this report is
18 rather large. By way of suggestion, I might suggest that
19 you look at it some other time; but I'll be happy to go
20 into it. It's about as big as this table, but I'll be
21 happy to discuss it now if you like.

22 Q Well --

23 MR. STAMETS: What does it depict?

24 THE WITNESS: It depicts the structural and strati-
25 graphic relationship between the Bell Lake structure

1 to the South which is producing Devonian gas, the Phillips
2 dry hole in Section 26, the prospect area, and the Grama
3 Ridge Morrow gas well which is to the North.

4 MR. STAMETS: Is that Grama Ridge Morrow off of this
5 Exhibit Number 5?

6 THE WITNESS: No. It's the field that you just
7 pointed to.

8 MR. STAMETS: Up to the Northwest corner of the
9 exhibit?

10 THE WITNESS: Right.

11 Q (By Mr. Richardson) Did you draw any conclusions from
12 your cross section?

13 A We can draw the conclusion that we think we can be
14 structurally high to our three reference points, being
15 the Bell Lake Field, the Phillips dry hole, and the Grama
16 Ridge Field. This is, to reiterate, totally based on
17 seismic.

18 MR. STAMETS: The same information that you based
19 your structural maps on?

20 THE WITNESS: With the exception of the Yates. We
21 have well-control for the Yates, but the rest of them are
22 seismic.

23 Q (By Mr. Richardson) Would you please tell the Commission
24 of the projected depth of the well?

25 A 14,600 feet. This we believe will put us several hundred

dearnley, meier & mc cormick

209 SIMMS BLDG. • P.O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO 87103
1216 FIRST NATIONAL BANK BLDG. EAST • ALBUQUERQUE, NEW MEXICO 87108

1 feet in the Devonian to adequately test the Devonian
2 formation.

3 Q Have other working-interest owners within the unit area
4 been contacted?

5 A Yes, they have.

6 Q Have you received any objections from any of the others?

7 A We have not.

8 Q In your opinion, what percentage of the working-interest
9 owners will be committed to the unit and what percentage
10 of the royalty will be committed?

11 A Well, 100 percent of the working-interest owners and all
12 but about 5 percent of the overriding royalty owners.

13 Q And all the basic royalty will be committed?

14 A 100 percent.

15 Q In your opinion, will the operation of this area under
16 the proposed unit manner of the operation be in the
17 interest of conservation and prevention of waste?

18 A Yes, it will.

19 Q Will the different institutions of the State, if any,
20 receive their fair share of production if established?

21 A Yes, they will.

22 Q In the event of production, will the correlative rights
23 of all parties in the unit agreement be protected?

24 A Yes, they will.

25 MR. RICHARDSON: That is all I have, sir. Do you

dearnley, meier & mc cormick

209 SIMMS BLDG. • P.O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO 87103
1216 FIRST NATIONAL BANK BLDG. EAST • ALBUQUERQUE, NEW MEXICO 87108

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

have any additional? We would like to introduce the exhibits into evidence.

MR. STAMETS: Without objection, Exhibits one through six will be admitted into evidence. Are there any questions of the witness?

MR. RICHARDSON: I would like to request, sir, this unit must be signed up and the well actually drilling by June the 30th; and if it's possible, we would sure like to have your order without delay.

MR. STAMETS: Okay. We are running real short on time. If there is nothing further in this case, the witness may be excused. We will take the case under advisement.

* * * * *

dearnley, meier & mc cormick

209 SIMMS BLDG. • P. O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO 87103
 1216 FIRST NATIONAL BANK BLDG. EAST • ALBUQUERQUE, NEW MEXICO 87108

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I N D E X

WITNESS

PAGE

BYRON McKNIGHT

Direct Examination by Mr. Richardson 3

E X H I B I T S

Offered

Admitted

Applicant's Exhibit #1	10	10
Applicant's Exhibit #2	10	10
Applicant's Exhibit #3	10	10
Applicant's Exhibit #4	10	10
Applicant's Exhibit #5	10	10
Applicant's Exhibit #6	10	10

dearnley, meier & mc cormick

209 SIMMS BLDG. • P.O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO 87103
1216 FIRST NATIONAL BANK BLDG. EAST • ALBUQUERQUE, NEW MEXICO 87108

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
OIL CONSERVATION COMMISSION CONFERENCE ROOM
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
Wednesday, June 6, 1973

EXAMINER HEARING

IN THE MATTER OF:

Application of Brunson
and McKnight for a unit
agreement, Lea County,
New Mexico.

Case No. 4982

BEFORE: Richard L. Stamets
Examiner

TRANSCRIPT OF HEARING

1 MR. STAMETS: Call next Case 4982.

2 MR. CARR: Case 4982, application of Brunson and
3 McKnight for a unit agreement, Lea County, New Mexico.

4 MR. RICHARDSON: Randolph M. Richardson, Roswell,
5 New Mexico, appearing on behalf of the Applicant.

6 BYRON MC KNIGHT,

7 was called as a witness and after being duly sworn, according
8 to law, testified as follows:

9 MR. RICHARDSON: We have a geological report
10 consisting of six parts which has been marked Exhibits 1
11 through 6 which we would like to submit with this case.

12 MR. CARR: Do you have another copy of the exhibits.

13 MR. RICHARDSON: Yes. He has one to testify from.

14 MR. CARR: Okay. Fine, thank you.

15 DIRECT EXAMINATION

16 BY MR. RICHARDSON:

17 Q Mr. McKnight, would you please state your name and present
18 occupation?

19 A Byron McKnight an independent oil and gas producer in
20 Hobbs, New Mexico.

21 Q Will you please state your educational and professional
22 background which will enable you to testify as an expert?

23 A I'm a graduate of the University of Texas with a BS
24 Degree in Geology and worked for Humble Oil and Refining
25 Company for several years and been independant for six

dearnley, meier & mc cormick

209 SIMMS BLDG., P.O. BOX 1092, PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO 87103
1216 FIRST NATIONAL BANK BLDG. EAST • ALBUQUERQUE, NEW MEXICO 87108

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

years.

Q Are you familiar with the Ojo-Chiso area and the matters of approval of the unit agreement?

A Yes, I am.

MR. RICHARDSON: Are the qualifications acceptable?

MR. STAMETS: They are.

Q Is it a form of unit agreement prescribed by the Federal Regulations and as recently approved by the Commissioner of Public Land?

A Yes.

Q Has the unit area been designated by the USGS as an area logically suitable for development under a unit map of development?

A Yes, it has.

Q Will you please tell the Commission the total number of acres within the unit area and the number and percentage of Federal lands and State lands?

A The total unit acreage is 5120 acres consisting of 3,840 acres of Federal lands and 1,280 acres of State land.

Q And the State land is what, 75, 25 percent of the total area?

A Represents 25 percent of the total unit area.

Q And the Federal land is 75 percent?

A Seventy-five.

Q Would you please tell the Commission the Township and Range

dearnley, meier & mc cormick

209 SIMMS BLDG. • P.O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO 87103
1216 FIRST NATIONAL BANK BLDG. EAST • ALBUQUERQUE, NEW MEXICO 87108

1 in which the unit is located and the approximate distance
2 to the nearest town?

3 A The unit is located in Township 22 South, Range 34 East,
4 Lea County, New Mexico, and is some 16 miles West of
5 Eunice, New Mexico.

6 Q Would you please refer to your geological report at this
7 time which has been marked Exhibits 1 through 6? Was
8 this report prepared by you or others directed under your
9 control and supervision?

10 A Yes, it was.

11 Q Now, would you please review the report going through the
12 name and stating the significance of such maps and cross
13 section and --

14 A The written report discusses the various maps for the
15 number going from shallow to deep being the Yates, Strawn,
16 Bone Springs, and Devonian structure maps; and we have
17 a cross section which depicts the structural and
18 stratigraphic relationship between the nearby producing
19 fields and the prospect area.

20 I direct your attention to the Yates structure map
21 which is the most well-controlled structure map that we
22 have more well-control in shallow wells.

23 Q That is Exhibit Number 2?

24 A The location of the proposed well will be 1980 feet from
25 the North line and 660 feet from the West line of Section

dearnley, meier & mc cormick

209 SIMMS BLDG. • P.O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO 87103
1216 FIRST NATIONAL BANK BLDG. EAST • ALBUQUERQUE, NEW MEXICO 87108

1 23 which you will note is on the crest of the Yates
2 structure and will be subsequently demonstrated on the
3 crest of the other structures.

4 This is basically a seismic prospect. The seismic
5 work was done by Mr. MacMillan consulting geologist of
6 Roswell, New Mexico; and I did the geological work that
7 was involved with it.

8 The next map with depth is the Bone Spring map.
9 This is a seismic map giving that we have no, virtually
10 no well-control in the prospect area. We feel that we
11 can get structurally high to the Phillips dry hole
12 located in Section 26 on the prospect area.

13 Q The Bone Springs map is marked Exhibit Number 4.

14 A The Strawn map has been prepared for your examination.

15 MR. STAMETS: Exhibit Number 3 is labeled Strawn.

16 MR. RICHARDSON: Right. Exhibit Number 4 was Bone
17 Springs. We got them out of order.

18 A The Strawn map depicts the structural configuration of the
19 Strawn formation which will be the first or at least one
20 of the major objectives of this test.

21 MR. STAMETS: We already discussed the Strawn map
22 back in Exhibit 3. Except I think we called it Bone
23 Springs.

24 THE WITNESS: Well, there is a Strawn map and there
25 is a Bone Springs map.

1 MR. STAMETS: Which one is Exhibit 3?

2 MR. RICHARDSON: The Strawn. The Bone Springs should
3 be Number 4.

4 MR. STAMETS: Okay. Which exhibits were you
5 discussing now?

6 THE WITNESS: We previously discussed the Bone Springs
7 which is Exhibit 4, and now we are discussing the Strawn
8 which is Exhibit 3.

9 MR. STAMETS: Okay.

10 A I placed these maps in stratigraphic order and Mr.
11 Richardson placed them in a --

12 Q As they came.

13 A The Strawn will be considered one of the major objectives
14 for the prospect. The last map is the Devonian map which
15 is Exhibit 5, and it's considered to be the major
16 objective for the prospect.

17 The cross section which accompanies this report is
18 rather large. By way of suggestion, I might suggest that
19 you look at it some other time; but I'll be happy to go
20 into it. It's about as big as this table, but I'll be
21 happy to discuss it now if you like.

22 Q Well --

23 MR. STAMETS: What does it depict?

24 THE WITNESS: It depicts the structural and strati-
25 graphic relationship between the Bell Lake structure

1 to the South which is producing Devonian gas, the Phillips
2 dry hole in Section 26, the prospect area, and the Grama
3 Ridge Morrow gas well which is to the North.

4 MR. STAMETS: Is that Grama Ridge Morrow off of this
5 Exhibit Number 5?

6 THE WITNESS: No. It's the field that you just
7 pointed to.

8 MR. STAMETS: Up to the Northwest corner of the
9 exhibit?

10 THE WITNESS: Right.

11 Q (By Mr. Richardson) Did you draw any conclusions from
12 your cross section?

13 A We can draw the conclusion that we think we can be
14 structurally high to our three reference points, being
15 the Bell Lake Field, the Phillips dry hole, and the Grama
16 Ridge Field. This is, to reiterate, totally based on
17 seismic.

18 MR. STAMETS: The same information that you based
19 your structural maps on?

20 THE WITNESS: With the exception of the Yates. We
21 have well-control for the Yates, but the rest of them are
22 seismic.

23 Q (By Mr. Richardson) Would you please tell the Commission
24 of the projected depth of the well?

25 A 14,600 feet. This we believe will put us several hundred

1 feet in the Devonian to adequately test the Devonian
2 formation.

3 Q Have other working-interest owners within the unit area
4 been contacted?

5 A Yes, they have.

6 Q Have you received any objections from any of the others?

7 A We have not.

8 Q In your opinion, what percentage of the working-interest
9 owners will be committed to the unit and what percentage
10 of the royalty will be committed?

11 A Well, 100 percent of the working-interest owners and all
12 but about 5 percent of the overriding royalty owners.

13 Q And all the basic royalty will be committed?

14 A 100 percent.

15 Q In your opinion, will the operation of this area under
16 the proposed unit manner of the operation be in the
17 interest of conservation and prevention of waste?

18 A Yes, it will.

19 Q Will the different institutions of the State, if any,
20 receive their fair share of production if established?

21 A Yes, they will.

22 Q In the event of production, will the correlative rights
23 of all parties in the unit agreement be protected?

24 A Yes, they will.

25 MR. RICHARDSON: That is all I have, sir. Do you

dearnley, meier & mc cormick

209 SIMMS BLDG. • P.O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO 87103
1216 FIRST NATIONAL BANK BLDG. EAST • ALBUQUERQUE, NEW MEXICO 87108

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

have any additional? We would like to introduce the exhibits into evidence.

MR. STAMETS: Without objection, Exhibits one through six will be admitted into evidence. Are there any questions of the witness?

MR. RICHARDSON: I would like to request, sir, this unit must be signed up and the well actually drilling by June the 30th; and if it's possible, we would sure like to have your order without delay.

MR. STAMETS: Okay. We are running real short on time. If there is nothing further in this case, the witness may be excused. We will take the case under advisement.

* * * * *

dearnley, meier & mc cormick

209 SIMMS BLDG. • P. O. BOX 1092 • PHONE 243-8691 • ALBUQUERQUE, NEW MEXICO 87103
 1216 FIRST NATIONAL BANK BLDG. • EAST • ALBUQUERQUE, NEW MEXICO 87108

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I N D E X

<u>WITNESS</u>	<u>PAGE</u>
BYRON McKNIGHT	
Direct Examination by Mr. Richardson	3

E X H I B I T S

	<u>Offered</u>	<u>Admitted</u>
Applicant's Exhibit #1	10	10
Applicant's Exhibit #2	10	10
Applicant's Exhibit #3	10	10
Applicant's Exhibit #4	10	10
Applicant's Exhibit #5	10	10
Applicant's Exhibit #6	10	10