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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
September 15, 1976

EXAMINER HEARING

IN THE MATTER OF:)

Application of American Quasar Petroleum) CASE
Company of New Mexico for a unit) 5767
agreement, Lea County, New Mexico.)

BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil Conservation Commission: William F. Carr, Esq.
Legal Counsel for the Commission
State Land Office Building
Santa Fe, New Mexico

For the Applicant: Randolph M. Richardson, Esq.
Attorney at Law
J. P. White Building
Roswell, New Mexico

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Direct Examination by Mr. Richardson 3

EXHIBIT INDEX

Offered Admitted

Applicant's Exhibit One, Report	5	8
Applicant's Exhibit Two, Isopach & Struct. Map	5	8
Applicant's Exhibit Three, Cross Section	5	8

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1 MR. STAMETS: We will call next Case 5767.

2 MR. CARR: Case 5767, application of American Quasar
3 Petroleum Co. of New Mexico for a unit agreement, Lea County,
4 New Mexico.

5 MR. RICHARDSON: Randolph M. Richardson, Roswell,
6 New Mexico, appearing on behalf of the applicant. I have one
7 witness to be sworn.

8 (THEREUPON, the witness was duly sworn.)

9 MR. RICHARDSON: A copy of the unit agreement has
10 already been furnished to the Commission and I have handed
11 you a geological report marked Exhibits One through Three.

12

13 BILL GUNTER

14 called as a witness, having been first duly sworn, was
15 examined and testified as follows:

16

17 DIRECT EXAMINATION

18 BY MR. RICHARDSON:

19 Q Mr. Gunter, will you please state your name, address
20 and present occupation?

21 A Bill Gunter, 3607 Baumann, Midland, Texas. I'm a
22 geologist with American Quasar.

23 Q Could you briefly state your educational and
24 professional background which would enable you to testify as
25 an expert witness?

1 A. I have a Master of Science degree in geology from
2 Mississippi State University and I have worked for five years
3 in petroleum exploration and development, primarily southeast
4 New Mexico.

5 Q. Are you familiar with the Brinninstool Unit Area and
6 the matters contained in the application to the Commission for
7 approval of a unit agreement?

8 A. Yes, I am.

9 MR. RICHARDSON: Are the qualifications acceptable?

10 MR. STAMETS: The qualifications are acceptable.

11 Q. (Mr. Richardson continuing.) Is the form of the
12 unit agreement that form prescribed by Federal regulations?

13 A. Yes, sir, it is.

14 Q. Has the unit area been designated by the United
15 States Geological Survey as an area logically suitable for
16 development under a unit plan of operation?

17 A. Yes, it has.

18 Q. Could you refer to your land plat and tell the
19 Commission the total number of acres within the unit area and
20 break down by Federal and State lands?

21 A. There are fifty-seven hundred and forty-three acres
22 total in the unit; Federal acres thirty-two, seventy-one;
23 State twenty-four, seventy-one. There are some fractions
24 there of acreage too.

25 Q. Could you tell the Commission the township and range

1 in which the unit is located and some reference to a town?

2 A. It's Township 23 South, Range 33 East and it is
3 approximately sixteen to eighteen miles northwest of Jal.

4 Q Jal, New Mexico. Could you refer to the geological
5 report which has been marked Exhibits One through Three,
6 Exhibit One being the written report, Number Two the Isopach
7 and Structural Map and Number Three is a Cross Section. Could
8 you briefly review the geological report containing those three
9 exhibits and tell the Commission your conclusions as to the
10 maps and reports?

11 A. The report is basically a history of the first well
12 that was drilled there and why it was drilled and somewhat of
13 the idea we have of what thickness of sand we need to effectively
14 produce the Morrow and that ten-foot contour there on -- there
15 are two sand zones, let me start that in the Morrow, the
16 Middle Morrow, an upper one which was encountered in the Pure
17 Brinninstool Well, which is on the AA prime cross section in
18 the southwestern portion there. They encountered a sand which
19 they drill stem tested seven hundred and twenty thousand cubic
20 feet of gas per day and nine point seven barrels of water per
21 hour.

22 They did not have this second sand that we are
23 producing in our well. In our well we did encounter the same
24 sand they had and it was drill stem tested. We had gas to
25 surface too small to measure and very good pressures in there

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1 but no gas volume measured. The second drill stem test we
2 ran covered part of that first interval and the sands that we
3 are producing from. The reason that we have only perforated
4 one sand down at the bottom there is a pressure differential
5 between that sand and the upper and we were afraid if we
6 perforated both of them that the upper zone might be feeding
7 some of the gas so currently we are producing the lower zone
8 and eventually we will move back up and perforate that upper
9 sand too.

10 The Iso-porosity maps there on each of those zones,
11 the orange is the upper sand and the green is the lower, the
12 one we are producing from. The orange outline or the upper
13 sand is our primary objective, that is what we are looking
14 for and we believe by moving over, we plan to drill a well
15 in Section 21 that we should encounter both of these sands
16 and they should be sufficiently high structurally to be water
17 free and gas productive.

18 Q Am I correct in that one of the wells that you are
19 referring to there is within the unit area and has reached
20 the objective depth?

21 A Yes, the American Quasar No. 1 Brinninstool was
22 completed a year ago August and through July of this year it
23 has produced one point seven billion cubic feet of gas from
24 that lower zone and it is still producing at three million
25 cubic feet of gas per day, twenty-three to twenty-four hundred

1 pounds of tubing pressure.

2 Q And I'm also correct in that there is some shallow
3 Delaware production within the unit area, is that correct?

4 A Right, in Section 19.

5 Q But none of that production will be considered as
6 unit production at this time and you still have an obligation
7 to drill what would be referred to as an initial test well
8 upon the unit area?

9 A That's correct.

10 Q Could you tell the Commission the projected depth
11 and the location for the initial test well?

12 A It will be a fifteen thousand, eight hundred foot
13 Chester test, a location in the northwest quarter of Section
14 21.

15 Q Have the other working interest owners within the
16 unit area been contacted?

17 A Yes, they have.

18 Q In your opinion, what percentage of the working
19 interest will be committed and what percentage of the royalty
20 will be committed?

21 A A hundred percent working and approximately ninety-
22 five of the royalty.

23 Q In your opinion will the operation of this area
24 under the proposed unit plan of operation be in the interest
25 of conservation and prevention of waste?

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A. I believe it will.

Q In the event of production will the correlative rights of all parties to the unit agreement be protected?

A. Yes.

MR. RICHARDSON: We would like to enter our geological report marked Exhibits One through Three into the case as evidence and that was all I had, do you all have any questions.

MR. STAMETS: These exhibits will be admitted.

(THEREUPON, Applicant's Exhibits One through Three were admitted into evidence.)

MR. STAMETS: Are there any questions of the witness? He may be excused.

(THEREUPON, the witness was excused.)

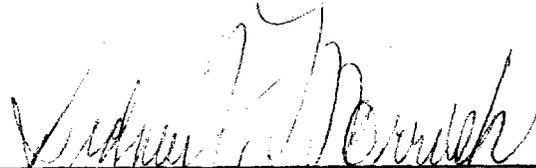
MR. STAMETS: Anything further in this case? The case will be taken under advisement. If there is nothing further the hearing will be adjourned.

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REPORTER'S CERTIFICATE

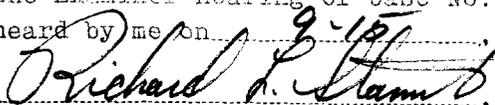
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I, SIDNEY F. MORRISH, a Certified Shorthand Reporter,
do hereby certify that the foregoing and attached Transcript
of Hearing before the New Mexico Oil Conservation Commission
was reported by me, and the same is a true and correct record
of the said proceedings to the best of my knowledge, skill and
ability.



Sidney F. Morrish, C.S.R.

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 5267
heard by me on 9-18, 19 76

_____, Examiner
New Mexico Oil Conservation Commission

