

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
28 November 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Kelloil Inc. for a unit) CASE
agreement, Lea County, New Mexico.) 6733

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: Ernest L. Padilla, Esq.
Legal Counsel for the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant: James T. Jennings, Esq.
JENNINGS AND CHRISTY
Roswell, New Mexico

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (506) 471-2462
Santa Fe, New Mexico 87501

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

MONTY GIST

Direct Examination by Mr. Jennings	3
Cross Examination by Mr. Stamets	8

E X H I B I T S

Applicant Exhibit One, Unit Agreement	4
Applicant Exhibit Two, Certificate	5
Applicant Exhibit Three, Plat	6
Applicant Exhibit Four, Structure Map	6

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (806) 471-2462
Santa Fe, New Mexico 87501

1 MR. STAMETS: Call next Case 6733.

2 MR. PADILLA: Application of Kelloil, Inc.,
3 for a unit agreement, Lea County, New Mexico.

4 MR. STAMETS: Call for appearances.

5 MR. JENNINGS: I'm James T. Jennings, of
6 Jennings and Christy, appearing upon behalf of the applicant,
7 Kelloil, Inc., and I will have one witness, Mr. Monty Gist.

8 MR. STAMETS: Any other appearances? I'd
9 like to have the witness sworn, please.

10
11 (Witness sworn.)

12
13 MONTY GIST

14 being called as a witness and having been duly sworn upon his
15 oath, testified as follows to-wit:

16
17 DIRECT EXAMINATION

18 BY MR. JENNINGS:

19 Q Would you state your name and occupation,
20 please, sir?

21 A I'm Monty Gist. I'm a geologist with
22 Kelloil, Inc. I live in Midland, Texas.

23 Q Have you had occasion to testify as a geolo-
24 gist previously before this Commission?

25 A Yes, sir, I have.

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
 3020 Plaza Blanca (505) 471-2452
 Santa Fe, New Mexico 87501

1 Q On that occasion were your qualifications
 2 as an expert geologist accepted?

3 A Yes, sir, they were.

4 MR. JENNINGS: Does the Commission wish me
 5 to further qualify this witness?

6 MR. STAMETS: The witness is considered
 7 qualified.

8 Q Mr. Gist, are you familiar with the appli-
 9 cation which has been filed here?

10 A Yes, sir, I have. I am.

11 Q Basically, it's an application to approve
 12 a unit consisting of some 1440 acres of State lands?

13 A That's true.

14 Q I hand you what has been marked as Exhibit
 15 One and ask if you will refer to that and identify it, please.

16 A Exhibit One is a unit agreement for the
 17 development and operation of the Lea Penn South Unit Area of
 18 Lea County, New Mexico. It has been properly executed by the
 19 parties within the unit boundary.

20 Q Well, you might identify the parties and
 21 the property owned by each and indicate if that company has
 22 executed the unit agreement.

23 A Okay.

24 Q Are you now referring to an exhibit attached
 25 to Exhibit One?

1 A. I'm not referring to a lease plat attached
2 to Exhibit One. Outlined in yellow on your exhibit the exe-
3 cuting parties include Gulf Oil Corporation, who own leases
4 Section 19, the east half and the southwest quarter and the
5 south half of Section 30; Sabine Royalty, the north half of
6 Section 30; and the Southland Royalty Corporation, the west
7 half of Section 29, Township 20 South, Range 35 East.

8 Q. What is the unitized substances as defined
9 by the unit agreement?

10 A. The unitized substance requested is all
11 rights, all substances, down to the base of the Morrow forma-
12 tion.

13 Q. I hand you what has been marked as Exhibit
14 Two and ask you if you would identify that?

15 A. Yes, sir. Exhibit Two is the certificate
16 of approval by the Commissioner of Public Lands of State of
17 New Mexico for the requested Lea Penn South Unit. It is
18 dated October the 24th, 1979, and executed by Alex J. Armijo.

19 Q. Does that appear to be a duplicate original
20 counterpart of the instrument?

21 A. Yes, sir, it is.

22 Q. I will hand you what -- before we get off
23 of that, what is the actual purpose of the unit?

24 A. Well, the purpose of the unit is to preserve
25 and prevent waste of the unitized substances under the unitized

1 area.

2 Q To conserve natural resources?

3 A Yes, sir.

4 Q I hand you what has been marked for identi-
5 fication as Exhibit Three, and would you tell the Examiner
6 just what that is, please?

7 A Exhibit Three is a lease ownership plat
8 showing in yellow the 1440 acres within the unit boundary.

9 Q And that reflects the ownership which you
10 have heretofore testified to?

11 A That is correct.

12 Q And what is the location of the well in
13 question?

14 A The well in question is located in the
15 northeast quarter of Section 30.

16 Q And, okay, would you refer to what has now
17 been marked as Exhibit Four and identify -- and explain --
18 identify the exhibit and explain to the Examiner?

19 A Exhibit Four is a structural map. The
20 Solid contours mapped on top of the Lower Morrow formation
21 marker; the dashed and highlighted pink lines represent the
22 geological interpretation of the gross Morrow sand thickness
23 within the clastic unit. The yellow represents the unit
24 boundary and the acreage we control. The dot with the arrow
25 pointing to it is the location of the well.

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (606) 471-2462
Santa Fe, New Mexico 87501

1 Q What does this reflect as to the possibi-
2 lity of the production within the area?

3 A This interpretation indicates that the
4 substance -- that the Morrow reservoir is in the controlling
5 area of the acreage -- or is in the area of the acreage in
6 which we control, and we feel that -- that by unitizing this
7 we can secure a more orderly and economically efficient deve-
8 lopment program for the conservation of the unitized natural
9 resources and for the prevention of waste. And we feel that
10 that reservoir body is -- is within our unitized area.

11 Q Is it within the contour of 9500 foot con-
12 tour, or is it different?

13 A It is within the 9500 foot contour.

14 Q Mr. Gist, in your opinion will the approval
15 of the unit secure the orderly development of the lands em-
16 braced therein in accordance with good conservation practices
17 and enable the State of New Mexico and the operator to obtain
18 the greatest ultimate recovery of the Morrow gas underlying
19 the area?

20 A Yes, sir, I do believe that.

21 Q In your opinion is the approval of the unit
22 agreement in the interest of conservation and will it prevent
23 waste?

24 A Yes, sir.

25 Q Do you have anything else that you wish to

1 offer, any further testimony that you wish to give to the
2 Commission at this time?

3 A. No, sir, I do not.

4 Q. Were Exhibits Three and Four prepared by
5 you or under your supervision?

6 A. Yes, they were.

7 Q. And is Exhibit One a true copy of the unit
8 agreement?

9 A. Yes.

10 Q. And is Exhibit Two a duplicate original
11 of the certificate of approval of the Commissioner of Public
12 Lands?

13 A. Yes, sir, it is.

14 MR. JENNINGS: We have nothing further to
15 offer at this time. We would offer Exhibits Three and Four
16 and also offer Exhibit One, which is a copy, and if the Com-
17 mission desires, or the Division desires, we can get a certi-
18 fied copy, and Exhibit Two is a duplicate original.

19 MR. STAMETS: These exhibits will be ad-
20 mitted.

21
22 CROSS EXAMINATION

23 BY MR. STAMETS:

24 Q. Mr. Gist, would Kelloil be willing to seek
25 and receive Commission approval for any -- or Division approval

1 for any participating areas established under this unit or
2 any change of operator or plans of development which may be
3 filed because of unit operations?

4 A. I'm not sure I --

5 MR. JENNINGS: May I -- I think I can make
6 the answer. The unit operating agreement provides for the
7 manner in which all the parties are to participate under the
8 entire area.

9 Q. Okay, so there will be no --

10 MR. JENNINGS: No participating areas as
11 such, no.

12 Q. Okay. Change of operator, I presume there
13 is no objection to seeking Division approval for that?

14 MR. JENNINGS: No, sir.

15 MR. STAMETS: Will there be any plans of
16 development filed?

17 A. I anticipate that we'll fully comply with
18 the -- it's a State unit and it's all State land, so we'll
19 comply with the unit.

20 Q. Okay, and copies of those, you have no
21 objection to seeking Division approval of any plans of devel-
22 opment?

23 MR. JENNINGS: No, no objection.

24 MR. STAMETS: Okay. Any other questions
25 of the witness? He may be excused.

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

Anything further in this case?

The case will be taken under advisement.

(Hearing concluded.)

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501

REPORTER'S CERTIFICATE

I, SALLY W. BOYD, a Certified Shorthand Reporter,
DO HEREBY CERTIFY that the foregoing and attached Transcript
of Hearing before the Oil Conservation Division was reported
by me; that the said transcript is a full, true, and correct
record of the hearing, prepared by me to the best of my
ability from my notes taken at the time of the hearing.

Sally W. Boyd C.S.R.
Sally W. Boyd, C.S.R.

100-100000-100000
6733
11-28 77
Richard R. Hunt Examiner
Oil Conservation Division

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501