

dearnley, meier & associates

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
September 19, 1973

EXAMINER HEARING

IN THE MATTER OF:)	
)	Case No. 5067
The Application of American Quasar)	
Petroleum Co. of New Mexico for a)	
unit agreement, Eddy County,)	
New Mexico)	

BEFORE: ELVIS A. UTZ, Examiner

TRANSCRIPT OF HEARING

1 MR. UTZ: Case 5067.

2 MR. DERRYBERRY: Application of American Quasar
3 Petroleum Co. of New Mexico for a unit agreement, Eddy
4 County, New Mexico.

5 MR. RICHARDSON: Randolph M. Richardson, appearing
6 for Roswell, New Mexico, appearing on behalf of applicant.
7 We would like to swear in one witness.

8 Do you have a copy of the unit agreement in your
9 file, Mr. Examiner?

10 MR. UTZ: Yes.

11 MR. RICHARDSON: Well, I would like to add to that
12 Exhibit B which you don't have.

13 MR. UTZ: All right.

14 MR. RICHARDSON: And I would hand you the geological
15 record which has been marked Exhibit 1 through 4.

16 CHARLES H. KIMBROUGH,
17 a witness, having been first duly sworn according
18 to law, upon his oath testified as follows:

19 DIRECT EXAMINATION

20 BY MR. RICHARDSON:

21 Q Mr. Kimbrough, would you please state your name and
22 present occupation?

23 A I'm Charles H. Kimbrough. I'm a geologist for American
24 Quasar.

25 Q Would you please state your education and professional

1 background which will enable you to testify as an
2 expert witness in this case?

3 A I'm a graduate geologist from the University of Arkansas
4 and have been employed by several major companies for the
5 last 13 years as a geologist.

6 MR. RICHARDSON: Are the qualifications acceptable?

7 MR. UTZ: You're familiar with the matters of this
8 case?

9 THE WITNESS: Yes, sir.

10 MR. UTZ: He's qualified.

11 Q (By Mr. Richardson) You are familiar with the Dune
12 unit area and the matters contained in the Application
13 for approval?

14 A Yes, I am.

15 Q Has a form of unit agreement prescribed by Federal
16 regulations and as presently approved by the Commission
17 been used in your plans?

18 A It has been used.

19 Q Has the unit area been designated by the United States
20 Geological Survey and the area logically suitable for
21 development under a unit plan of development?

22 A Yes, it has.

23 Q Would you please tell the Commission the total number of
24 acres within the unit area and the percentage of Federal
25 and patented lands?

1 A The total acreage is 2535.89 acres and approximately
2 over 95 percent is Federal acreage. There is a minor
3 percentage of fee acreage involved in this unit.

4 Q There is no State acreage within the unit. Would you
5 please tell the Commission the township and range in
6 which the unit is located and the approximate location
7 with reference to the nearest town?

8 A The description of the unit as on the case docket is
9 correct. It is about 40 miles from Jal, New Mexico,
10 about halfway between Jal and Carlsbad.

11 Q West of Jal?

12 A Yes.

13 Q Would you now please refer to your geological report
14 which has been introduced in this case as Exhibits 1
15 through 4. Was this report prepared by you or others
16 directly under your control and supervision?

17 A It was prepared by me.

18 Q By you. Could you briefly refer to the report and go
19 through mentioning the maps and what all the report
20 contains?

21 A All right, sir. Exhibit 1 is a structure map on the
22 top of the Atoka formation. It also depicts the trend
23 of the Atoka reef in which we anticipate production.

24 Exhibit 2 is a previous geological report of the area;
25 Exhibit 3 is a land plat showing the outline of the

1 Federal unit and Exhibit 4 is a cross section of the
2 formation that we anticipate production from.

3 Q Would you please tell the Commission your conclusions
4 as to the formations likely to be encountered and
5 considered prospective for production?

6 A Our major objective in the unit is the Atoka reef,
7 proximity on that has been established about four miles
8 to the east in the Texas American Number 1 to the
9 Federal. We anticipate that at the proposed location
10 similar production will be established. We also have
11 objections in the Morrow sand formation which is a
12 blanket-type deposit throughout this portion of New
13 Mexico. We will drill to a depth sufficient to test that,
14 although we do feel the Atoka is our primary objective.
15 The unit has been established to prescribe the outline
16 of the prospective portion of the Atoka unit, Atoka
17 formation.

18 Q Would you please give the Commission the projective
19 depth and location for the initial test well?

20 A The initial test well will be drilled 1980 from the north
21 and 1980 from the west in Section 6 which is in Township
22 24 South and Range 31 East. It should be pointed out
23 that the well currently is drilling and that there was
24 an exploration of a Federal lease involved. It was
25 after the last scheduled hearing and we're drilling

1 about 2800 feet as of yesterday.

2 Q Have the other working interest owners within the unit
3 area been contacted and have you received any indications
4 that anybody would object?

5 A There have been no objections whatsoever. All of the
6 parties in the acreage are major companies and have
7 contributed in some fashion to the drilling of the well.

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

11 A The working interest is 100 percent, has already been
12 committed by American Quasar. The royalty interest,
13 approximately 95 percent. There is one tract in the
14 extreme southeast portion of Section 6 that was open
15 Federal acreage until just recently. It was a subject
16 drawing by AC holder just recently.

17 Q In your opinion, will the operation of this area under
18 the proposed unit plan be in the interest of
19 conservation and prevention of waste?

20 A Very definitely. This is within one of the Potash areas.
21 We do have approval from the potash people and they
22 will supervise everything that has been in accordance
23 about that at the same time.

24 Q Okay. In the event of production, will the correlative
25 rights to all parties in the agreement be protected?

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1 A Yes, sir.

2 MR. RICHARDSON: I would like to introduce

3 Exhibits 1 through 4 into the record at this time.

4 MR. UTZ: Without objection, Exhibits 1 through 4

5 will be entered into the record of this case. Any other

6 questions of the witness?

7 (No response.)

8 MR. UTZ: Witness may be excused. Statements in

9 the case?

10 (No response.)

11 MR. UTZ: The case will be taken under advisement.

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3 I, CLAUDIA FAHRENTHOLD, a court reporter in and for
4 the County of Bernalillo, State of New Mexico, do hereby
5 certify that the foregoing and attached Transcript of
6 Hearing before the New Mexico Oil Conservation Commission
7 was reported by me; and that the same is a true and correct
8 record of the said proceedings to the best of my knowledge,
9 skill and ability.

Claudia Jahnhold
COURT REPORTER

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. EC 67 heard by me on Sept. 19, 1973.
[Signature], Examiner
New Mexico Oil Conservation Commission