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I N D E X

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3 MR. QUINTANA: We will call
4 next Case 8388.

5 MR. TAYLOR: The application of
6 Inexco Oil Company for a unit agreement, Chaves County, New
7 Mexico.

8 MR. CARR: May it please the
9 Examiner, my name is William F. Carr, with the law firm
10 Campbell and Black, P. A., of Santa Fe, appearing on behalf
11 of Inexco Oil Company.

12 I have two witnesses, Les Tac-
13 coni and Joel Carlisle.

14 I would request that the record
15 reflect that these are the same witnesses who testified in
16 the previous case, that they remain under oath, and that
17 their qualifications to testify are acceptable.

18 MR. QUINTANA: Their qualifica-
19 tions will be so accepted.

20 Mr. Carr, will these same two
21 witnesses be testifying in all your Inexco cases?

22 MR. CARR: Yes, they will.
23 They will.

24 MR. QUINTANA: Sally, why don't
25 we just forego all of this and you can make a note in the
record that these two witnesses will be testifying in Cases
8387, 8388, 8389, and 8410.

THE REPORTER: Yes, sir.

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MR. CARR: And are qualified in all of them.

MR. QUINTANA: And are qualified in all of them.

You may proceed, Mr. Carr.

L. J. TACCONI,

being called as a witness and being previously sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. CARR:

Q Mr. Tacconi, will you please state what Inexco seeks to accomplish with its application in Case 8388?

Q Mr. Tacconi, will you briefly state what Inexco seeks to accomplish with its application in Case 8388?

A In Case 8388 we seek approval of a unit agreement for the development of the Five Mile Draw Unit Area in Chaves County, New Mexico.

Q Have you prepared certain exhibits for introduction in this case?

A Yes, I have.

Q Would you please refer to what's been marked for identification as Inexco Exhibit Number One, identify this and explain what it is?

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A Inexco Exhibit Number One is a rough draft unit agreement, that has been previously accepted by both State agencies for the State of New Mexico and by the BLM in the State of New Mexico.

Q Would you please refer to Exhibit A to that unit agreement and review that with the Examiner?

A Exhibit A is a plat showing the unit area with the proposed unit outline, diagonally striped outline. Federal acreage is shown blank, or no color. The State acreage is shown cross hachured in blue and the fee acreage is shown shaded in a light blue.

The tract numbers are shown in a circle.

There's a recapitulation of the acreage and its percentage as to the total acreage.

The total acreage of the unit is 6,457.74 acres.

Federal acreage amounts to 3,922 acres, or 60.73332 percent of the unit area.

State of New Mexico acreage comprises 2,215.74 acres, or 34.31138 percent of the unit.

And the fee acreage is 320 acres, or 4.95530 percent of the unit.

Q Would you now refer to Exhibit B to the unit agreement and identify that?

A Exhibit B is a schedule of leases showing the tract number, the lease description, the number of acres, the serial register number and expiration date of each

1 lease, where applicable, the basic royalty and ownership and
2 percentage thereof, the lessee of record and the percentage
3 thereof, the overriding royalty owners for each tract and
4 the working interest ownership of each tract.

5 There's a recapitulation, again, as on
6 the Exhibit A, showing the total unit acreage, and on this
7 Exhibit B we show recapitulation of the working interest
8 owners and their percentages of the unit.

9 Q Is this a voluntary divided unit?

10 A This is again a voluntary divided inter-
11 est unit.

12 Q Have you contacted the major interest
13 owners in the unit?

14 A Yes, we have.

15 Q Do you anticipate sufficient voluntary
16 participation to afford Inexco effective control of unit
17 operations?

18 A We anticipate 75 percent, or better,
19 which is effective control.

20 Q Would you now refer to Exhibit C to the
21 unit agreement and identify that?

22 A Exhibit C is a Rocky Mountain Unit Oper-
23 ating Agreement for a divided interest unit. As I have pre-
24 viously testified for the Arroyo del Mancho Unit, this is
25 identical in form with the exception that the provision for
the location has been altered to modify to this unit.

It designates Inexco as operator and in

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our application we're also seeking Inexco be named the operator of the unit.

Q Has the form of this unit agreement been approved by the State Land Office as to form and content?

A Yes, it has.

We do not have the letter in hand. We will supply it upon receipt. We've had verbal approval.

Q Has the unit area been designated by the BLM as an area logically suited to unit development?

A Yes, it has, and that will be submitted as Exhibit Two.

Q Does the unit agreement provide for periodic filing of plans of development?

A Yes, it does.

Q And does that also provide that those plans of development will be filed with the Oil Conservation Division?

A Yes, they will be filed with the BLM, with the State Land Office, and with the OCD.

Q Will Inexco --

A As I testified with Arroyo del Mancho, until we establish commercial production there will be no plan of development filed. The drilling interval will be six months.

Q Will Inexco call another witness in this case to testify as to geological considerations?

A Yes, we will.

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2 Q In your opinion will approval of the pro-
3 posed unit and unit operations of this area be in the best
4 interest of conservation, the prevention of waste, and the
5 protection of correlative rights?

6 A Yes, it will.

7 Q Was Exhibit Number One prepared by you?

8 A Yes.

9 Q And Exhibit Number Two is the BLM letter
10 in response to your application?

11 A Yes, it is.

12 MR. CARR: At this time, Mr. Quintana, we
13 would offer Inexco Exhibits One and Two into evidence.

14 MR. QUINTANA: Exhibits One and
15 Two will be entered into evidence.

16 MR. CARR: That concludes my
17 direct examination of Mr. Tacconi.

18 MR. QUINTANA: Are there any
19 further questions of the witness?

20 If not, he may be excused.

21 MR. CARR: At this time I'd
22 call Mr. Carlisle.

23 MR. QUINTANA: You may proceed.
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JOEL CARLISLE,

being called as a witness and having been previously sworn and qualified as an expert witness, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. CARR:

Q Mr. Carlisle, have you prepared certain exhibits for introduction in this case?

A I have.

Q Would you please refer to what's been marked as Inexco Exhibit Three and explain what this is?

A Exhibit Three is a geologic report covering the proposed Unit, Five Mile Draw, and cross sections and maps to support that request.

Q Where is this unit located?

A This unit is located in Chaves County, approximately 25 miles north of Roswell and just off of US Highway 285.

Q How many acres are contained within the unit area?

A 6,457.74 acres in this unit.

Q And what is the primary objective in the unit?

A The primary objective for the unit will be the Abo Sands.

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2 The initial test will be proposed -- or
3 is proposed to be in the southeast quarter of Section 26, 6
4 South, 23 East.

5 Q Would you refer now to Exhibit Three and
6 generally describe for Mr. Quintana the geology of the area?

7 A The, as described in the report, the Five
8 Mile Draw Unit will be located on the east flank of the Ped-
9 ernal Uplift and again within the area where clastics have
10 been shed from this uplifted land mass down into the vicin-
11 ity of the proposed test and to the south and east of there.

12 The enclosed map attached with Exhibit
13 Three, the Isolith of the Abo Sand with greater than 10 per-
14 cent porosity, again will define and show the area in which
15 we proposed the Five Mile Draw Unit.

16 The limits of the unit have been partial-
17 ly but not totally defined by the 30-foot contour interval
18 within the porosity or sand Isolith.

19 The northern or northwestern boundary of
20 the unit does not conform to the 30-foot closing contour be-
21 cause of productive area just to the northwest of the unit.

22 As you can see from this map, it will de-
23 fine what we believe to be channel systems within this area
24 that feed on down to the lower portion of the Pecos Slope,
25 and it is within these channel systems that we think the
best opportunities lie for the development of sands with
commercial potential.

Q Will you now refer to the cross sections

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and review those for the Examiner?

A Cross section B, which is also a portion of this Exhibit Three, crosses just north of the proposed unit and is -- the line of section is indicated on the index map on the bottom of this, and again we show several wells completed in the area outside of the proposed unit and the IPs, if any, on those wells.

Also it will demonstrate the lenticularity of the sands and the discontinuity of the sands as a bar system is developed in this area.

Exhibit C within the -- is another cross section that also is near the area, actually crosses the producing area just to the north of the proposed unit, and again demonstrates similar characteristics in the sand deposition throughout the area, as will Exhibit D. It's an additional cross section submitted and again to demonstrate the discontinuity of sands throughout the area.

It also has an index map in the center of the cross section and this cross section goes through the proposed unit and, as you will note, only two wells on this section have been completed, two suspended, and one dry hole. The two that have been completed are to the west of the -- and outside of the unit boundary.

No wells have been drilled in the unit boundary, or proposed unit boundary.

Q Will you now review the well prognosis and the AFE that are included within Exhibit Three?

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2 A In the back of Exhibit Three there is a
3 well prognosis that will give you the expected top of the
4 Tubb and the Abo, which is our primary objective within the
5 area.

6 Also attached is an AFE prepared by our
7 engineering staff for a proposed cost of \$304,800 for a com-
8 pleted cost for this well.

9 This well will be stopped in the Abo sec-
10 tion as we now envision it, and not go down to the lower
11 Paleozoic section.

12 Q Mr. Carlisle, in your opinion will gran-
13 ting this application and unit operations of the subject
14 area be in the best interest of conservation, the prevention
15 of waste, and the protection of correlative rights?

16 A Yes, it will.

17 Q Was Exhibit Number Three prepared by you?

18 A Yes, it was.

19 MR. CARR: At this time, Mr.
20 Quintana, we offer into evidence Exhibit Number Three.

21 MR. QUINTANA: And Exhibit Num-
22 ber Three will be accepted into evidence.

23 MR. CARR: And that concludes
24 my direct examination of Mr. Carlisle.

25 CROSS EXAMINATION

BY MR. QUINTANA:

Q I have a few questions for you, Mr.

1
2 Carlisle.

3 This unitized area that you propose, do
4 you expect a little higher ratio of success in this area
5 based on the geology that you presented here as compared --
6 you gave some testimony previously stating that there was
7 limited success outside the unitized area. Do you expect
8 the same type of success within the unit area or do you -- a
9 little bit better success ratio?

10 A I think the best way to answer that would
11 be to say that if our geology is correct, and we hope that
12 it is, that our success ratio will be higher than in the
13 general -- some of the surrounding area.

14 MR. QUINTANA: Are there any
15 further questions of him?

16 If not, he may be excused.

17 Case 8388 will be taken under
18 advisement.

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(Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing 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.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a correct copy of the proceedings in the Executive Hearing of Case No. 8388, heard by me on Dec. 19 1974.
Gilbert P. Quintana, Examiner
Oil Conservation Division

1 STATE OF NEW MEXICO
2 ENERGY AND MINERALS DEPARTMENT
3 OIL CONSERVATION DIVISION
4 STATE LAND OFFICE BUILDING
5 SANTA FE, NEW MEXICO

6 28 November 1984

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Inexco Oil Company
10 for a unit agreement, Chaves
11 County, New Mexico.

CASE
8388

12
13 BEFORE: Michael E. Stogner, Examiner

14
15 TRANSCRIPT OF HEARING

16
17 A P P E A R A N C E S

18
19 For the Oil Conservation
20 Division:

Jeff Taylor
Attorney at Law
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

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22 For the Applicant:
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MR. STOGNER: Call next Case
Number 8388.

MR. TAYLOR: The application of
Inexco Oil Company for a unit agreement, Chaves County, New
Mexico.

Applicant has also requested
that this case be continued.

MR. STOGNER: Case Number 8388
will be continued to the Examiner Hearing scheduled for
December 19th, 1984.

(Hearing concluded.)

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that the foregoing Transcript of Hearing before the Oil Con-
servation Division was reported by me; that the said tran-
script is a full, true, and correct record of the hearing,
prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 8388.
heard by me on November 28, 1984.

Michael S. Hays Examiner
Oil Conservation Division

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

31 October 1984

EXAMINER HEARING

IN THE MATTER OF:

Application of Inexco Oil Company	CASE
for a unit agreement, Chaves	8388
County, New Mexico.	

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation	Jeff Taylor
Division:	Attorney at Law
	Legal Counsel to the Division
	State Land Office Bldg.
	Santa Fe, New Mexico 87501

For the Applicant:

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MR. STOGNER: We'll call next Case Number 8388.

MR. TAYLOR: Application of Inexco Oil Company for unit agreement, Chaves County, New Mexico.

The applicant has requested that this case be continued.

MR. STOGNER: Case Number 8388 will be so continued also to the Examiner's Hearing scheduled for November 28, 1984.

(Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY
that the foregoing Transcript of Hearing before the Oil Con-
servation Division was reported by me; that the said tran-
script is a full, true, and correct record of the hearing,
prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is
a correct and true copy of the transcript
of the hearing held on the 27th day of
October 1984 at 8:30 AM in the
hearing room of the Oil Conservation
Division, Department of Natural Resources,
P.O. Box 1000, Tallahassee, Florida 32304.
Oct. 31 8388
Michael E. Stagner Examiner
Oil Conservation Division