

dearnley, meier & mc cormick

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BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
CONFERENCE HALL, STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO  
September 13, 1972

EXAMINER HEARING

IN THE MATTER OF:

Application of Inexco Oil Company  
for a unit agreement, Eddy County,  
New Mexico.

CASE NO. 4813

BEFORE: Daniel S. Nutter  
Examiner

TRANSCRIPT OF HEARING

1 MR. NUTTER: Case Number 4813.

2 MR. HATCH: Application of Inexco Oil Company for  
3 a unit agreement, Eddy County, New Mexico.

4 MR. HINKLE: Clarence Hinkle, of Hinkle,  
5 Bondurant, Cox and Eaton, Roswell, appearing on behalf of  
6 Inexco Oil Company.

7 We have one witness and five Exhibits. I would  
8 like to have the witness sworn.

9 \* \* \* \* \*

10 GEORGE D. ZIMMERMAN,

11 was called as a witness and having been duly sworn according  
12 to law, testified as follows:

13 DIRECT EXAMINATION

14 BY MR. HINKLE:

15 Q State your name, your residence and by whom you are  
16 employed.

17 A Goerge D. Zimmerman, Midland, Texas, Inexeco Oil  
18 Company.

19 Q What is your position with Inexco?

20 A I'm a geologist.

21 Q Have you previously testified before the Commission  
22 or the Examiner?

23 A No, sir.

24 Q State, briefly, your educational background and experience  
25 as a geologist.

1 A I graduated from the University of New Mexico in  
2 1960. I was employed by Carper Drilling Company  
3 up to 1965, the Sun Oil Company through 1970, and  
4 I've been with Inexco ever since, as a geologist.

5 Q Have you had considerable experience with southeastern  
6 New Mexico and Eddy County?

7 A Yes, sir.

8 Q Have you made a study of the area that is involved  
9 in this Application?

10 A Yes, sir.

11 MR. HINKLE: Are his qualifications acceptable?

12 MR. NUTTER: Yes, they are.

13 Q Are you familiar with the Application of Inexco in  
14 this case?

15 A Yes, sir. We're seeking approval of the Sitting  
16 Bull Unit.

17 Q Have you prepared, or has there been prepared under  
18 your direction, certain Exhibits for introduction under  
19 this Case?

20 A Yes, sir.

21 Q They are the Exhibits marked 1 through 5?

22 A Yes, sir.

23 Q Refer to Exhibit 1 and explain what this is and what  
24 it shows.

25 A Exhibit 1 is an outline of the unit area showing the

1 oil and gas leases, the lease owners, and the working  
2 interest owners and the lease expiration dates.

3 Q Does it show the location of the initial well?

4 A Yes, sir.

5 Q Where is it located?

6 A It is in Section 4.

7 MR. NUTTER: Would it be in the corresponding  
8 40 in this Section?

9 THE WITNESS: Yes, sir.

10 Q (By Mr. Hinkle) All right. Refer to Exhibit 2 and  
11 explain what that shows.

12 A Exhibit 2 is a structure map of the Morrow formation.  
13 It shows the structural attitudes of the unit area  
14 based on well control surrounding the unit area.

15 Q Subsurface information?

16 A Yes, sir, it's all subsurface information.

17 Q Does it also show the outlines of the unit area?

18 A Yes, it does.

19 Q Does the unit area cover all or substantially all of  
20 the structural condition?

21 A Substantially all, with the exception of possibly the  
22 east side in Sections 3 and 15 of 24 South, 22 East.

23 Q Now, refer to Exhibit 3 and explain this.

24 A Exhibit 3 is a gravity meter survey of the unit area  
25 and adjacent areas. The gravity coverage only extends

1 to the bottom portion of the unit area and substantiates  
2 the subsurface interpretation of the Morrow.

3 Q It extends to corroborate the information shown on  
4 Exhibit 2?

5 A Yes, sir.

6 Q It also shows the outlines of the unit area?

7 A It does.

8 Q Now, refer to Exhibit 4 and explain this.

9 A Exhibit 4 is a cross-section showing the wells adjacent  
10 to the unit area. The Union Federal-White Well on the  
11 right-hand side of the cross-section in Section 17 of  
12 24 South , 22 East, is on the south side of the unit  
13 outline. It displays good sand development in the  
14 Morrow formation and extending in cross-section to the  
15 west and to the north, shows that the sands are not  
16 developed on the west side of the unit. We believe  
17 the sand is pinching out under the unit, or along the  
18 west side of the unit, as a permeability area, and will  
19 be productive under the unit.

20 Q Is this cross-section indicated on Exhibit 2 as A and A'?

21 A Yes, sir.

22 Q It goes around the west side and south side of the unit?

23 A Yes, sir.

24 Q And you've indicated on Exhibit 2 the permeability area  
25 that you've referred to?

1 A Yes, sir.

2 Q Now, has this area been designated as an area suitable  
3 and proper for unitization by the USGS?

4 A Yes, sir, we have preliminary approval from the USGS  
5 and we have verbal approval from all of the interest  
6 holders in the unit.

7 Q Refer to Exhibit 5. Is this the approval of the  
8 designated area by USGS?

9 A Yes, sir.

10 Q Now, you say that you've indicated that all of the  
11 owners of working interest and royalty interest want  
12 to come into the unit or will join?

13 A There is one exception, in the NE/4 of Section 9,  
14 24 South, 22 East, the tract owned by King Resource.

15 Q Now, has the USGS also approved the form of unit  
16 agreement of Exhibit 1, Township 24 South, Range 22 East?

17 A Yes.

18 Q Now, this form is properly provided by federal  
19 regulations for unapproved areas, is it not?

20 A Yes, sir.

21 Q And this is the form which you have filed with the  
22 Commission?

23 A Yes.

24 Q Now, who is designated as the unit operator?

25 A Inexco Oil.

1 Q Does it provide for the drilling of initial test  
2 wells?

3 A Yes, sir, it does, 600 foot test.

4 Q That test is calculated to test what formation?

5 A The entire Pennsylvanian formation.

6 Q Which would include the Morrow formation?

7 A Yes, sir.

8 Q Is the Morrow your main objection in this area?

9 A Yes, it is.

10 Q In the event that the unit is approved and you obtain  
11 production, in your opinion, will the unit be in the  
12 interest of conservation and prevention of waste?

13 A Yes, sir.

14 Q And tend to protect correlative rights?

15 A Yes, sir.

16 MR. HINKLE: We would like to offer Exhibits 1 through  
17 5 into evidence.

18 MR. NUTTER: Applicant's Exhibits 1 through 5  
19 will be admitted in evidence.

20 (Whereupon, Applicant's Exhibits number 1 through  
21 5 were marked and received into evidence.)

22 \* \* \* \* \*

23 CROSS-EXAMINATION

24 BY MR. NUTTER:

25 Q Mr. Zimmerman, you actually don't have any other

1 interest owners signed yet, but you have all the  
2 verbal consent from all of them, excepting King  
3 Resource?

4 A Yes, sir.

5 Q And there is only one royalty owner here, what about  
6 royalty overrides, do they have to sign this?

7 A They have given verbal agreement.

8 Q I see. When do you expect to have written agreement  
9 by these?

10 A Very soon.

11 \* \* \* \* \*

12 REDIRECT EXAMINATION

13 BY MR. HINKLE:

14 Q When do you have to commence the well in this area?

15 A Around October 1st.

16 Q So, do you have all the units in process of being  
17 circulated for signatures, at the present time?

18 A Yes, sir.

19 Q You anticipate that you will have them all by the  
20 1st?

21 A Yes, sir.

22 MR. HINKLE: ON that account, why we would like  
23 to ask that the Commission approve the unit being issued as  
24 quickly as possible.

25 MR. NUTTER: Are there any further questions of

1 the witness?

2 (No response.)

3 MR. NUTTER: He may be excused.

4 (Witness excused.)

5 MR. NUTTER: Do you have anything further, Mr.

6 Hinkle?

7 MR. HINKLE: No.

8 MR. NUTTER: If there is nothing further, we will

9 take the Case under advisement, and call Case Number 4814.

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STATE OF NEW MEXICO )  
 ) ss  
COUNTY OF BERNALILLO )

I, JOHN DE LA ROSA, a Court Reporter, in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me; and that the same is a true and correct record of the said proceedings to the best of my knowledge, skill and ability.

John De La Rosa  
COURT REPORTER

9/13 4813  
Jscm 2872

I N D E XWITNESS:PAGEGEORGE D. ZIMMERMAN

Direct Examination by Mr. Hinkle	3
Cross-Examination by Mr. Nutter	8
Redirect Examination by Mr. Hinkle	9

E X H I B I T SAPPLICANT'S:OFFEREDADMITTED

Inexco Oil Company

Exhibit Number 1	4	8
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Exhibit Number 3	5	8
Exhibit Number 4	6	8
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