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I N D E X

L. J. TACCONI

Direct Examination by Mr. Carr

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JOEL CARLISLE

Direct Examination by Mr. Carr

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E X H I B I T S

Inexco Exhibit One, Unit Agreement

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Inexco Exhibit Two, Letter

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Inexco Exhibit Three, Geologic Report

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3 MR. QUINTANA: We'll call next
4 Case 8389.

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 who have
13 previously been sworn and qualified.

14 MR. QUINTANA: You may proceed,
15 Mr. Carr.

16 L. J. TACCONI,
17 being called as a witness and having been previously sworn
18 and qualified as an expert witness, testified as follows,
19 to-wit:

20 DIRECT EXAMINATION

21 BY MR. CARR:

22 Q Mr. Tacconi, will you briefly state what
23 Inexco seeks to accomplish with this application?

24 A We seek approval of our application for
25 the unit agreement for the development and operation of the
Huggins Draw Unit Area, and for Inexco Oil Company to be de-

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signated as operator.

MR. CARR: Mr. Quintana, the Huggins is another unit in which the BLM requested that the boundary of the unit be changed.

In this case the size of the unit was increased by approximately 600 Federal acres.

The advertisement remains sufficient, however, because it did not change the townships or ranges that were involved.

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

A Yes, I have.

Q Will you please refer to what's been marked as Inexco Exhibit Number One and identify this, please?

A It's a rough draft unit agreement that has been approved by both State agencies for the State of New Mexico and by the BLM for the State of New Mexico.

Q Would you please identify and review Attachment Number one to the unit agreement?

A Exhibit A to the unit agreement is a plat showing the unit outline in diagonal stripes.

Fee acreage is shown shaded in light blue.

State of New Mexico acreage cross hachured in blue, and Federal acreage in white.

There are circles shown in each of the

1 secitons designating the tract numbers.

2 At the bottom of the map there's a recap-
3 itulation of the acreage, total acreage in the unit being
4 30,029.95 acres, of which 14,401.21 acres, or 47.95616 per-
5 cent is Federal acreage.

6 State of New Mexico acreage comprises
7 8,024.48 acres, or 26.72092 percent of the unit area.

8 The fee acreage comprises 7,604.46 acres,
9 or 25.32393 percent of the unit area.

10 Q Will you now review Exhibit B to the unit
11 agreement?

12 A Exhibit B to the unit agreement is a
13 schedule of leases showing the tract number, the land de-
14 scription, the number of acres per tract, the serial number
15 and expiration date, where applicable, for each of the
16 leases, the basic royalty ownership and percentage thereof,
17 the lessee of record and their percentages, the owners of
18 any overrides, if any, and the percentages and the working
19 interest owners and percentages.

20 The last page recapitulates as does the
21 Exhibit A plat the Federal, State, and fee acreage and the
22 total acreage in the unit area.

23 Q Mr. Tacconi, is this a voluntary divided
24 unit?

25 A Yes, it is.

 Q Have you reviewed this unit agreement
 with the major interest owners in the unit?

1

A Yes, we have.

2

3

Q And do you anticipate effective voluntary participation or sufficient voluntary participation?

4

5

A We anticipate 75 percent control, or better.

6

Q And this will give you effective control?

7

8

A And this will give us effective control of the area.

9

Q Would you now refer to Exhibit C to the unit agreement?

10

11

A Exhibit C is a Rocky Mountain Unit Operating Agreement form specifically designed for a divided interest unit.

12

13

It provides for Inexco Oil Company to be the operator. The only difference between this form and other forms previously testified, would be the Exhibit Two showing the location for the well.

14

15

Q Would you advise the Examiner as to the status of State Land Office approval of this agreement?

16

17

A Okay. State Land Office approval of this agreement has been given pending Inexco's satisfaction, which we're working on, as to typographical errors and a check in the amount of \$90.00, which I hate to testify this way but it's in the mail.

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Q When you -- when you receive a letter granting approval as to form and content, what will you --

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A It will be filed with the Commission.

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Q Has the unit agreement, or the unit area been designated by the BLM --

A Yes.

Q -- as an area logically suited for unit development?

A Yes, it has, and we will submit this as Schedule Two.

Q Does Inexco desire to be designated as unit operator?

A Yes, we do.

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

A Yes.

Q And do these plans of -- will these plans be filed with the Oil Conservation Division?

A They'll be filed with all of the three offices that have control, the OCD, the State Land Office, and the BLM.

Q Will Inexco call another witness to testify concerning geological concerns?

A Yes, we will.

Q In your opinion will approval of this application and operation of the area as a unit be in the best interest of conservation, the prevention of waste, and the protection of correlative rights?

A Yes, it will.

Q Was Exhibit Number One prepared by you?

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A Yes, it was.

Q And Exhibit Two is the BLM letter?

A Yes, it is.

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

MR. QUINTANA: Exhibits One and Two will be admitted into evidence.

MR. CARR: I have nothing further of Mr. Tacconi.

MR. QUINTANA: Mr. Tacconi, would you confirm that total acreage for the unit?

A Yes. It's 30,029.95 acres.

MR. QUINTANA: As compared to 29,251.91 --

A Yes, sir. The changes took place on the southeast portion of the unit land the westerly portion of the unit.

MR. QUINTANA: I have no further questions of the witness.

Any further questions?

He may be excused.

MR. CARR: And I call Mr. Carlisle.

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2 JOEL CARLISLE,

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

6 DIRECT EXAMINATION

7 BY MR. CARR:

8 Q Mr. Carlisle, will you please refer to
9 what has been marked as Exhibit Number Three and identify
10 this, please?

11 A Okay. Exhibit Three is a geologic report
12 covering the proposed unit for the Huggins Draw area.

13 Q Where is this unit located?

14 A This unit is approximately thirty-five
15 miles north of Roswell in Chaves County, with the proposed
16 location for this test being in 5 South, 23 East, Section
17 18.

18 Q How many acres are in this unit?

19 A 30,029.95 acres in the proposed unit.

20 Q And what is the unit's primary objective?

21 A The primary objective for this unit is
22 the Abo Sands and will be tested with a 3600-foot test in
23 the previously designated location.

24 Q Will you now refer to Exhibit Number
25 Three and generally describe the geology of the area which
is the subject of today's hearing?

A The Huggins Draw Federal Unit will be on

1
2 the east flank of the Pedernal Uplift on what is commonly
3 referred to now as the Pecos Slope area. It will be up dip
4 regionally from the Abo production which lies to the south-
5 east of it in an area which we have defined by Exhibit -- in
6 Exhibit Three, the Isolith of the Abo Sands greater than 10
7 percent porosity, which indicates an area in which we expect
8 some ponding of the sands, perhaps a fan type system similar
9 to that that has been developed already by drilling just to
10 the southeast of us, and partially defined by dry holes to
11 the north, the south, and the east of us.

11 In addition to this map on the Isolith on
12 the Abo Sands, I have also included cross sections which I
13 will allude to now as cross section A-A', which in the cen-
14 ter of the cross section the line of section is designated
15 on the bottom on an index map and runs from southwest to the
16 northeast, and again will illustrate the discontinuity of
17 the sands in the general area and what we hope to find with-
18 in -- in this area are sands similar to some of the wells
19 that have been completed to the west of us.

19 An additional cross section has also been
20 included and is labeled as cross section B-B', and again the
21 line of section is designated on an index map at the bottom
22 of this cross section and runs from the southwest to the
23 northeast through the proposed unit and commences to the
24 southwest in a productive area that has previously been
25 drilled and is separated by either marginal wells or dry
holes from the proposed unit.

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2 Again you can see the lack of continuity
3 of these channel and bar sands within the general area from
4 a southwest to a northeast direction.

5 I might add also that again in this par-
6 ticular unit the unit is shown on the Isolith, Abo Sand Iso-
7 lith, and the -- roughly conforms to the 45-foot contour in-
8 terval on this map.

9 Q Mr. Carlisle, would you now review the
10 well prognosis and the AFE which are included in Exhibit
11 Three?

12 A In the back of the report there is a well
13 prognosis which will show our anticipated tops of the Tubb
14 and the Abo, which is our primary objective within the area
15 for this test.

16 And following that in the report there is
17 an AFE prepared by our engineering section, which gives an
18 estimated cost for a completed well of \$309,200, based on
19 their most recent estimates of the area.

20 Q In your opinion will granting this appli-
21 cation and operation of this area under the proposed unit
22 plan, be in the best interest of conservation, the preven-
23 tion of waste, and the protection of correlative rights?

24 A Yes, it would.

25 Q Was Exhibit Number Three prepared by you?

A It was.

MR. CARR: At this time, Mr.
Quintana, we would offer Inexco Exhibit Three into evidence.

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2 MR. QUINTANA: Exhibit Three
3 will be accepted into evidence.

4 MR. CARR: I have nothing fur-
5 ther of Mr. Carlisle.

6 MR. QUINTANA: Is there
7 anything further of the witness?

8 If not, he may be excused.

9 Case 8389 will be taken under
10 advisement.

11 (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 complete record of the proceedings in the Examiner hearing of Case No. 8389, heard by me on DEC. 19 1984.

Gilbert P. Quintana Examiner
Oil Conservation Division

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

28 November 1984

EXAMINER HEARING

IN THE MATTER OF:

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

CASE
8389

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Jeff Taylor
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: Call next Case
Number 8389.

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

Applicant has also requested
continuance in this case.

MR. STOGNER: Case Number 8389
will also be continued to the Examiner Hearing scheduled for
December 19, 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 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 complete record of the proceedings in the Examiner hearing of Case No. 8398, heard by me on November 28, 1984.
Michael P. Stewart, 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 for a unit agreement, Chaves County, New Mexico.	CASE 8389
--	--------------

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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

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MR. STOGNER: Call next Case Number 8389.

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 8389 will also be 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 this transcript is
a complete and correct record of the hearing in
the Examiner has to do with case no. 8389
heard by me on Oct. 31 19 84
Michael P. Logan Examiner
Oil Conservation Division