

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

19 December 1984

EXAMINER HEARING

IN THE MATTER OF:

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

BEFORE: Gilbert P. Quintana, 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 Commission
	State Land Office Bldg.
	Santa Fe, New Mexico 87501

For the Applicant:	William F. Carr
	Attorney At Law
	CAMPBELL & BLACK P. A.
	P. O. Box 2208
	Santa Fe, New Mexico 87501

I N D E X

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JOEL CARLISLE

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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.

1  
2 MR. CARR: And are qualified in  
3 all of them.

4 MR. QUINTANA: And are quali-  
5 fied in all of them.

6 You may proceed, Mr. Carr.

7 L. J. TACCONI,  
8 being called as a witness and being previously sworn upon  
9 his oath, testified as follows, to-wit:

10 DIRECT EXAMINATION

11 BY MR. CARR:

12 Q Mr. Tacconi, will you please state what  
13 Inexco seeks to accomplish with its application in Case  
14 8388?

15 Q Mr. Tacconi, will you briefly state what  
16 Inexco seeks to accomplish with its application in Case  
17 8388?

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

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

23 A Yes, I have.

24 Q Would you please refer to what's been  
25 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.

1  
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 sec-  
tions 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.



1  
2 and review those for the Examiner?

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

9                   Also it will demonstrate the lenticular-  
10 ity of the sands and the discontinuity of the sands as a bar  
11 system is developed in this area.

12                   Exhibit C within the -- is another cross  
13 section that also is near the area, actually crosses the  
14 producing area just to the north of the proposed unit, and  
15 again demonstrates similar characteristics in the sand depo-  
16 sition throughout the area, as will Exhibit D. It's an ad-  
17 ditional cross section submitted and again to demonstrate  
18 the discontinuity of sands throughout the area.

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

25                   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?

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

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

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

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

15               A               Yes, it will.

16               Q               Was Exhibit Number Three prepared by you?

17               A               Yes, it was.

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

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

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

24                               CROSS EXAMINATION

25               BY MR. QUINTANA:

                  Q               I have a few questions for you, Mr.

1 Carlisle.

2  
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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25 (Hearing concluded.)

## 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 report of the proceedings in the Enforcement Hearing of Case No. 8388, heard by me on Dec. 19 1974.  
Gilbert P. Quintana, Examiner  
Oil Conservation Division

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  
8388

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 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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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 complete record of the proceedings in  
the Examiner hearing of Case No. 8388.  
heard by me on November 28, 1984.  
Michael S. Harper Examiner  
Oil Conservation Division

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:

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.)

## 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 transcript of the hearing  
before the Oil Conservation Division held at  
hearing on the 31st day of October, 1984.  
Michael E. Stagner Examiner  
Oil Conservation Division 8388  
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