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

7  
8 30 January 1985

9 EXAMINER HEARING

10  
11 IN THE MATTER OF:

12 Application of Inxco Oil Company CASE  
13 for compulsory pooling and a non- 8472  
14 standard proration unit, Lea County,  
15 New Mexico.

16  
17 BEFORE: Michael E. Stegner, Examiner

18  
19 TRANSCRIPT OF HEARING

20  
21 A P P E A R A N C E S

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

For the Applicant:

MR. STOGNER: Call next Case No. 8472, which is the application of Inexco Oil Company for compulsory pooling and a non-standard proration unit, Lea County, New Mexico.

At the applicant's request, this case will be continued to the Examiner's Hearing scheduled for February 13, 1985.

(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.

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 8472  
heard by me on 30 January 1985.  
Michael E. Steiner, Examiner  
Oil Conservation Division

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

13 February 1985

EXAMINER HEARING

IN THE MATTER OF:

Application of Inexco Oil Company  
for compulsory pooling and a non-      CASE  
standard proration Unit, Lea County,      8472  
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 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

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2  
3 MR. STOGNER: We'll call next  
4 Case Number 8472.

5 MR. TAYLOR: Application of  
6 Inexco Oil Company for compulsory pooling and nonstandard  
7 proration unit, Lea County, New Mexico.

8 MR. CARR: May it please the  
9 Examiner, Inexco requests that this case be continued to the  
10 Examiner Hearing on February 27th.

11 MR. STOGNER: Case Number 8472  
12 will be so continued to the Examiner Hearing scheduled for  
13 February 27th, 1985.

14 (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  
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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. 8472,  
heard by me on 13 February 1985.  
Michael J. Hogan Examiner  
Oil Conservation Division

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

7  
8 27 February 1985

9 EXAMINER HEARING

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11 IN THE MATTER OF:

12 Application of Inexco Oil Company CASE  
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14 standard proration unit, Lea County,  
15 New Mexico.

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22 A P P E A R A N C E S

23 For the Oil Conservation Division: Jeff Taylor  
24 Attorney at Law  
25 Legal Counsel to the Division  
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  
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I N D E X

LESLIE J. TACCONI

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JOHN C. CARLISLE

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3 MR. STOGNER: We are now going  
4 to call Case Number 8472.

5 MR. TAYLOR: The application of  
6 Inesco Oil Company for compulsory pooling and a nonstandard  
7 proration unit, Lea County, New Mexico.

8 MR. STOGNER: We will now call  
9 for appearances.

10 MR. CARR: May it please the  
11 Examiner, my name is William F. Carr, with the law firm  
12 Campbell and Black, P. A., of Santa Fe.

13 MR. STOGNER: Any other appear-  
14 ances in this matter?

15 Being none, please continue.

16 Oh, I'm sorry, will the witness  
17 please stand to be sworn?

18 MR. TAYLOR: We have two wit-  
19 nesses.

20 (Witnesses sworn.)

21 LESLIE J. TACCONI,  
22 being called as a witness and being duly sworn upon his  
23 oath, testified as follows, to-wit:  
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DIRECT EXAMINATION

BY MR. CARR:

Q Will you please state your full name and place of residence?

A My name is Leslie J. Tacconi and I live at 85 Crystal Lake Lane in the Woodlands, Texas.

Q By whom are you employed and in what capacity?

A Inexco Oil Company as an Area Landman for the State of New Mexico.

Q Have you previously testified before this Commission or one of its examiners and had your credentials accepted and made a matter of record?

A Yes, I have.

Q Would you please summarize your educational -- well, since you've been made a matter of record, we won't make you do that.

Are you familiar with the application filed on behalf of Inexco in this case?

A Yes, I am.

Q Are you familiar with the subject area and the proposed well?

A Yes.

MR. CARR: Are the witness' qualifications acceptable?

A Yes.

Q Will you briefly state what Inexco seeks

1  
2 is this case?

3           A           We're asking approval of our application  
4 for a nonstandard proration unit and an order pooling all  
5 mineral interests in the northwest quarter southeast quarter  
6 of Section 13, Township 17 South, Range 37 East, Lea County,  
7 New Mexico, in all formations from the surface to the top of  
8 the Strawn formation, and for compulsory pooling of all min-  
9 eral interests in the Strawn formation in the northwest  
10 southeast quarter and the northeast southwest quarter of  
Section 13, the same township and range.

11                   We're also requesting approval of the  
12 maximum charge for risk in drilling said well and that Inex-  
co Oil Company be named as operator.

13           Q           Have you prepared certain exhibits for  
14 introduction in this matter?

15           A           Yes, I have.

16           Q           Would you refer to Inexco Exhibit Number  
17 One, identify this, and review it for Mr. Stogner?

18           A           This is a land plat that shows Sections  
19 13, 14, 23, and 24 of 17 South, 37 East, Lea County, and  
20 basically outlines the South Rumble City Strawn Pool.

21                   Then the insert to the right of the map  
22 is a blow-up of the south half of Section 13, showing two  
23 existing proration units and the proposed proration unit,  
24 the ownership on an acreage basis under all the proration  
units, both proposed and existing.

25           Q           Now the subject proration unit is the --

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A Northeast of the southwest quarter and the northwest of the southeast quarter of Section 13, which crosses a quarter section line.

Q Is the location of the proposed well also depicted on the insert map?

A Yes, it is. It's in -- 1980 from the south and east lines of Section 13. It's denoted as Inexco Norris No. 3 and the projected total depth, 11,900 feet.

Q Is this well proposed to be drilled at a standard location?

A Yes, it is.

Q What is the primary objective in this well?

A The Strawn formation.

Q Would you now refer to Exhibit Number Two and review that for the Examiner, please?

A The Exhibit Two is a breakout of the ownership and percentage and type owner, type of owner -- type of interest ownership, and the status of each under the proposed proration unit.

As you can see, Inexco, David Petroleum, McMillan, the Loveless interest, Schlicher, Hershenhorn, and Schlicher have joined. They're working interest owners under an existing operating agreement.

Texaco, an unleased mineral interest owner, owning 25 -- 22-1/2 percent, has signed the AFE and elected to join.

1  
2 Tenneco is shown as undecided. They own  
3 6.25 percent. They notified me by phone Monday that they  
4 had their management approval and a signed AFE is in the  
5 mail.

6 Kirby has decided to lease to Inexco as  
7 of Monday, and the lease has not been executed yet, so I'd  
8 like to continue naming Tenneco and Kirby and release them  
9 from any compulsory pooling upon receipt from them of either  
10 the signed AFE or signed lease.

11 Sabine has signed an AFE.

12 The interests of Ronald Byers, he has  
13 joined in previous wells and he has not answered any of my  
14 phone calls or any of my correspondence yet, and I expect  
15 him to join.

16 The heirs of May Lee, we are unable to  
17 locate. They have been unlocatable since 1929 and the Mason  
18 heirs that we have lumped, we have been in contact with the  
19 attorney for four of the remaining heirs. There's been ad-  
20 ditional deaths in the heirship chain and they have asked  
21 that they be force pooled as they were under the Norris No.  
22 1 and the Norris No. 2 Wells.

23 Q Mr. Tacconi, what percentage of the ac-  
24 reage has been voluntarily committed to the well?

25 A 86.796875 percent that we have in hand  
and we expect an additional 10.7 percent to commit, that  
being the interests of Tenneco and Kirby.

Q Would you now --

1                   A           So we'll effectively have in excess of 96  
2 percent either leased or voluntary joinder.

3                   Q           Will you now refer to what has been  
4 marked as Exhibit Number Three and review these documents  
5 with Mr. Stogner?

6                   A           Okay. Exhibit Number Three consists of  
7 two AFE's, one being an AFE prepared by the LDM Group, which  
8 is Loveless, David Petroleum, Colin McKillan, and the  
9 Schlischer Group.

10                               Under our operating agreement they pro-  
11 pose the well.

12                               The second AFE is Inexco's AFE that was  
13 prepared in-house and for us to be operator, and our AFE is  
14 slightly lower than the LDM AFE.

15                               The LDM AFE was the one that was circu-  
16 lated to all the parties owning working interest and mineral  
17 interest under the proposed proration unit and it is the one  
18 that is being signed by -- has been signed by the parties,  
19 including Tenneco, which that AFE is in the mail.

20                   Q           Would you refer to that AFE and note the  
21 total for a completed well?

22                   A           Okay, a completed well under the LDM AFE  
23 is \$1,132,900.

24                               Under the Inexco AFE the costs are pro-  
25 jected at \$1,045,500.

                              Our experience in the area, we've been  
able to bring the wells in under that recently.

1  
2 Q In your opinion are these costs in line  
3 with what's being charged by other operators for similar  
4 wells?

5 A Yes, they are.

6 Q Would you please summarize the efforts  
7 you have made to obtain the voluntary joinder of those  
8 interest owners who have not as yet voluntarily committed  
9 one way or another to the well?

10 A I've been in either letter contact or  
11 telephone contact, attempted telephone contact, with the  
12 other owners.

13 The next exhibit that's shown, Exhibit  
14 Four, shows our proposal; it doesn't reflect our phone  
15 calls, but the proposal requests that they join in the drill-  
16 ing of the well or grant a lease for a quarter royalty and  
17 a one year term.

18 And we've had response from all parties  
19 with the exception of Byers and the Lee heirs and the Mason  
20 heirs.

21 Q And there are copies of the return re-  
22 ceipts --

23 A Yes, there are.

24 Q -- attached.

25 A Showing that it went out registered mail  
and copies of the return receipts therein.

Q Mr. Tacconi, in your opinion have you  
made a good faith effort to locate and obtain voluntary

1  
2 joinder from all interest owners in the subject proration  
3 unit?

4 A Yes, we have.

5 Q Has Inexco drilled other Strawn wells in  
6 the area?

7 A Yes, we have. This will be our eighth  
8 well in the area. We've drilled four producing wells and  
9 three dry holes that have penetrated the Strawn formation.

10 Q Would you now refer to Exhibit Number  
11 Five and identify that for Mr. Stogner?

12 A Exhibit Five were notice letters prepared  
13 under my direction by the law firm of Campbell and Black  
14 notifying each of the interest owners of the original pro-  
15 posed docket, which would have been January 30th, which has  
16 been continued until now, and it has copies of the letters  
17 and the certifications thereof.

18 Q Mr. Tacconi, how soon does Inexco plan to  
19 spud this well?

20 A We'd like to move in a rig within the  
21 next two weeks, if possible, so we would like to have as  
22 prompt action as possible from the OCD.

23 Q Were Exhibits One through Five prepared  
24 by you or compiled under your direction and supervision?

25 A Yes, they were.

MR. CARR: At this time, Mr.  
Stogner, we would offer Inexco's Exhibits Numbers One  
through Five into evidence.



1  
2 MR. STOGNER: Exhibits One  
3 through Five will be admitted into evidence.

4 MR. CARR: That concludes my  
5 direct examination of Mr. Tacconi.

6 CROSS EXAMINATION

7 BY MR. STOGNER:

8 Q Mr. Tacconi, on Exhibit Number One, in  
9 the insert map on the righthand side, down below the pro-  
10 posed proration unit you have a couple of Division orders,  
11 R-7355, R-7359A.

12 What were those for?

13 A That was for an unorthodox location for  
14 the Inexco Norris No. 2, compulsory pooling and nonstandard  
15 location. That order created the necessity for Inexco to  
16 come in and ask for a second nonstandard unit. We testified  
17 at that time, when those orders were granted, that we would  
18 develop the northern proration unit if it warranted another  
19 well and then we would move to the east for the remaining 80  
20 and develop that, if it warranted continued exploration.

21 MR. CARR: Mr. Stogner, that  
22 application also sought approval of the nonstandard prora-  
23 tion unit.

24 MR. STOGNER: Thank you. I  
25 will take administrative notice of those two orders.

I have no further questions of  
this witness.

Are there any other questions of Mr. Laccioni?

MR. TAYLOR: I've got a question.

#### CROSS EXAMINATION

BY MR. TAYLOR:

Q On Exhibit Two you've got a letter from Amerada Hess to you saying they elect not to participate, but on your interest owners I don't see them.

A Amerada Hess and Inexco are subject to a 1980 exploration agreement under which we have reciprocity and Amerada will be subject to a 500 percent nonconsent penalty under the well.

Q They share your interest?

A Yes, sir.

Q Okay. That's all I have.

MR. STOGNER: One more question.

#### RECROSS EXAMINATION

BY MR. STOGNER:

Q The way the advertisement was and your Exhibit Number Two, are the interest owners the same in just the northwest quarter southeast quarter as it is over all the 30-acre proration?

A No, the difference being in the north-

1 east/southwest the interest of Mr. Byers is subject to an  
2 existing oil and gas lease into the Inexco Group. He's an  
3 unleased mineral owner in the southeast quarter.

4 For the Inexco Norris No. 2 he was join-  
5 der as to his lease and as to his ownership as an unleased  
6 mineral interest owner.

7 Q Well, how does that affect the breakdown  
8 between the two proration units?

9 A It changes it by -- under the northeast  
10 quarter he's under oil and gas lease. Excuse me, the north-  
11 east/southwest.

12 Under the northwest/southeast there's  
13 1.25 acres that he owns as an unleased mineral interest owner,  
14 and we're asking that he be force pooled but we expect  
15 that he will join in the drilling of the well as he has done  
16 for the previous well to the south.

17 Q Thank you, Mr. Tacconi.

18 MR. STOGNER: I have no further  
19 questions of this witness.

20 If there are no other questions  
21 he may be excused.

22 MR. CARR: I'll call Mr. Car-  
23 lisle.

24 JOEL C. CARLISLE,  
25 being called as a witness and being duly sworn upon his  
oath, testified as follows, to-wit:

## DIRECT EXAMINATION

BY MR. CARR:

Q will you state your full name and place of residence?

A Joel Carlisle, 101 Prince of Wales, Corsico, Texas.

Q By whom are you employed and in what capacity?

A Inexco Oil Company and I am Exploration Geologist in charge of exploration for West Texas and New Mexico for the company.

Q Mr. Carlisle, have you previously testified before this Commission or one of its examiners, and had your credentials accepted and made a matter of record?

A Yes, I have.

Q And you were qualified as a petroleum geologist at that time?

A Yes.

Q Are you familiar with the application filed in this case on behalf of Inexco Oil Company?

A Yes, I am.

Q Are you familiar with the proposed well and the subject proration unit?

A Yes.

MR. CARR: Are the witness' qualifications acceptable?

1  
2 MR. STOGNER: They are.

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

5 A Yes, I have.

6 Q And are you prepared to make a recommend-  
7 ation to the Examiner as to the risk penalty that should be  
8 assessed against those interest owners who do not voluntar-

9 A Yes.

10 Q Would you refer to what has been marked as  
11 Inexco Exhibit Number Six and review that for Mr. Stogner?

12 A Exhibit Number Six is a structure map on  
13 top of the Strawn, covering the Humble -- South Humble City  
14 Field and the Humble City Field to the north and adjacent  
15 areas.

16 This map, as you can note, is -- will  
17 show that there is a wide spread of the contours in and  
18 around the producing South Humble City Field, with a natural  
19 closure indicated around the Norris 2, and encompassing the  
20 Norris 3, the proposed well that are here for now.

21 Also, this map has on it a red line indi-  
22 cating the cross section E-E', which I believe has been  
23 labeled Exhibit Seven.

24 Q Seven. Seven.

25 A And I'd like to discuss this in conjunc-  
tion with Exhibit Six.

The cross section was made primarily to show that the Strawn unit is a lithologic identifiable unit that can be correlated over the area and is carbonate at the top, grading into a shale and a sand sequence near the bottom.

The logs used on this cross section are both sonic and density, neutron density logs.

The Inexco No. 1 York on the left-hand side of the cross section is a sonic log and you'll note the perforations near the very top of the carbonate section and see that there is good porosity in that -- indicated by the log in that well.

The Inexco Norris No. 1, which is the -- in the center of the section, is also a carbonate but little or no porosity encountered in the upper carbonate portion -- or the carbonate section. There was some porosity down in the lower part of that section encountered but not as good a quality porosity or production, either, for that matter, as was encountered in the Norris -- Norris 1.

The Norris 2, again, is to the extreme east of the field and just south of where we're proposing to drill, and again you'll see that we have encountered the porosity again near the upper portion of the Strawn carbonate section, again.

Going back to the structure map itself, you'll note that the York 1, located in the extreme south-east quarter of Section 14, was offset to the -- direct off-

1  
2 set to the southeast in Section 24, the No. 1 Dougherty, and  
3 it was a dry hole.

4 It was offset again to the southwest in  
5 Section 21, again a dry hole.

6 Offset to the northwest, successfully  
7 completed in the York 2. That well was later offset directly  
8 to the north. That was a dry hole, and then we later  
9 drilled the Norris 1 and 2, both completed in the Strawn.

10 So we have four producers and three dry  
11 holes, so I think, you know, the risk is pretty apparent  
12 there that we can very easily drill a dry hole here directly  
13 offsetting a producing well.

14 Q Mr. Carlisle, have you made an estimate  
15 of the overhead and administrative costs while drilling this  
16 well and also while producing the well, if, in fact, it is a  
17 commercial success?

18 A Yes, I have.

19 Q And what are those figures?

20 A That would be \$425 for the producing and  
21 \$3879 for the drilling.

22 Q Are these costs in line with what's being  
23 charged by other operators in the area?

24 A Yes, it is.

25 Q How do they compare, do you know?

A They're actually lower than what some of  
the other operators are charging in the area.

Q Do you recommend that these figures be

1 incorporated into any order which results from this hearing?

2 A Yes, I do.

3 Q And Inexco requests to be designated  
4 operator of the subject well?

5 A Yes.

6 Q In your opinion will granting this appli-  
7 cation be in the best interest of conservation, the preven-  
8 tion of waste, and the protection of correlative rights?

9 A It would.

10 Q Were Exhibits Six and Seven prepared by  
11 you?

12 A They were.

13 MR. CARR: At this time, Mr.  
14 Stogner, we would offer Inexco Exhibits Six and Seven.

15 MR. STOGNER: Exhibits Six and  
16 Seven will be admitted into evidence.

17 MR. CARR: That concludes my  
18 direct examination of Mr. Carlisle.

19 MR. STOGNER: What was the  
20 drilling rates again?

21 A Drilling rates, \$425 for a producing well  
22 a day, and \$3879 a month, that is, for a drilling.

23 MR. STOGNER: Okay, so that's  
24 -- give me the monthly drilling charges again.

25 A \$3,879.

Q \$3,879 while drilling.

A Correct.



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Q Per month, and the production charges?

A \$425.

Q Thank you, sir.

MR. STOGNER: I have no further questions of this witness.

Is there anything else for Mr. Carlisle?

If not, he may be excused.

Anything further in Case Number 8472?

MR. CARR: Nothing further, Mr. Stogner.

MR. STOGNER: This case will be taken under advisement and your request for an expedited order is recorded.

(Hearing concluded.)

## C E R T I F I C A T E

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Sally W. Boyd CSR

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the last hearing of case no. 8472,  
heard by me on 27 February, 1985.

Michael E. Stogner

, Examiner

Oil Conservation Division