

1 STATE OF NEW MEXICO
2 ENERGY AND MINERALS DEPARTMENT
3 OIL CONSERVATION DIVISION
4 STATE LAND OFFICE BLDG.
5 SANTA FE, NEW MEXICO
6 26 October 1983

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Chama Petroleum
10 Company for compulsory pooling,
11 Eddy County, New Mexico.

CASE
7977

12 BEFORE: Michael E. Stogner, Examiner

13
14 TRANSCRIPT OF HEARING

15
16 A P P E A R A N C E S

17 For the Oil Conservation
18 Division:

19
20 For the Applicant:

William F. Carr, Esq.
CAMPBELL, BYRD, & BLACK P.A.
Jefferson Place
Santa Fe, New Mexico 87501

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2 MR. STOGNER: We'll call next
3 Case Number 7977, which is the applicant, Chama Petroleum
4 Company for compulsory pooling, Eddy County, New Mexico.

5 MR. CARR: May it please the
6 Examiner, my name is William F. Carr with the law firm
7 Campbell, Byrd, and Black, P. A., of Santa Fe, appearing on
8 behalf of Chama Petroleum Company.

9 I have one, two witnesses who
10 need to be sworn.

11 MR. STOGNER: Are there any
12 other appearances in this matter?

13 If not, will the witnesses
14 please stand and raise your right hand to be sworn at this
15 time?

16 (Witnesses sworn.)

17 MR. CARR: May it please the
18 Examiner, as you will note from the application, there are a
19 number of interest owners who are being pooled in this case.

20 We have been advised by Chad
21 Dickerson that Yates is acquiring all the interest set out
22 in the exhibit to the application with the exception of
23 those interests held by one Mr. Letizio. Although they have
24 reached verbal agreement the papers have not yet been exe-
25 cuted; therefor we will go forward with the case as if we
were pooling all these interests but as soon as we receive

word from Yates that they have acquired all these other interests by farmout, we will advise you and the application will at that time no longer run to those interest owners.

MR. STOGNER: Thank you, Mr. Carr.

MARK NEARBURG,
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 Mark Nearburg, Dallas, Texas.

Q Mr. Nearburg, by whom are you employed and in what capacity?

A Chama Petroleum Company as a landman.

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

A Yes.

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

A Yes.

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

A Yes.

MR. CARR: Are the witness' qualifications acceptable?

MR. STOGNER: He is so qualified.

Q Mr. Nearburg, will you briefly state what Chama seeks with this application?

A Chama Petroleum Company seeks an order pooling all mineral interests in all formations from the surface to the base of the Mississippian underlying the north half of Section 8, Township 19 South, Range 26 East, to be dedicated to a well to be drilled at a standard location thereon.

And also, we would like to have considered the cost of drilling and completing the well; allocation of the costs thereof, as well as actual operating costs and charges for supervision; designation of Chama as the operator of the well; and a charge for risk in drilling.

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

A Yes, I have.

Q Would you please refer to what has been marked for identification as Chama Exhibit Number One, identify this and explain what it shows?

A This is a land map showing the proposed acreage in the north half of Section 8 and the dry hole in the northeast quarter northwest quarter of Section 8. At

1
2 the bottom of the map is a breakout of the individual tracts
3 in the north half of Section 8.

4 Q Would you go through the tracts on the
5 bottom half of this exhibit and by number identify those
6 tracts which are voluntarily committed at this time?

7 A Yes. Tracts voluntarily committed are
8 the entire northeast quarter northeast quarter, south half
9 northeast quarter, Tract 726, Tract 728, and 741, Tract 730,
10 Tract 733 and 34, 35, 36 and 37, Tract 749, Tract 754, 755,
11 756.

12 Q Would you identify the tract that is
13 owned by Mr. Letizio?

14 A Mr. Letizio owns Tract 729 and 740.

15 Q And the other tracts that you have not
16 made reference to are those which we understand are being
17 acquired by Yates pursuant to a farmout?

18 A Yes.

19 Q What are the primary objectives in this
20 well?

21 A The objectives in this well are the
22 Strawn formation, Cisco Canyon, Victorio Peak, and the Yeso
23 Glorieta.

24 Q And the Victorio Peak is also known as
25 the Abo?

A Yes.

Q Will you now refer to Exhibit Number Two
and identify this for Mr. Stogner?

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2 A Exhibit Number Two is a working interest
3 breakout on proration units in the northeast quarter north-
4 west quarter, which is a 40-acre unit; north half northwest
5 quarter, which is an 80-acre unit; the northwest quarter,
6 being a 160-acre unit; and the north half of Section 8,
7 being a 320-acre unit.

8 Q And what percentage of the acreage has
9 voluntarily committed to the well?

10 A If Yates Petroleum does have the
11 interests as referenced by Chad Dickerson, we will have all
12 of the interest except the 10 acres of Mr. Letizio.

13 Q Will you now refer to Exhibit Number
14 Three and review this for the Examiner?

15 A Exhibit Number Three is an AFE for re-
16 entry of the Crusader Rabbit. It has a total estimated cost
17 of \$236,772.

18 Q Are these costs in line with what has
19 been charged by other operators in the area for similar ef-
20 forts?

21 A Yes.

22 Q Would you please summarize the efforts
23 you have made to obtain voluntary joinder of all the working
24 interest owners and mineral interest owners in the proposed
25 spacing unit?

A As early as August of 1982 I began trying
to obtain voluntary joinder of all the interests in the
north half of Section 8, and I am still trying to obtain

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2 voluntary joinder, and rather than go through everything
3 that's happened, I will refer the Commission to Exhibit
4 Number Four, which is all the correspondence relating to
5 this.

6 Q In your opinion have you made a good
7 faith effort to obtain voluntary joinder from all interest
8 owners in the spacing unit?

9 A Yes.

10 Q Would you now identify Exhibit Number
11 Five for Mr. Stogner?

12 A Exhibit Number Five are letters to all
13 the unleased mineral owners giving notice of this hearing.

14 Q Have you made an estimate of overhead and
15 administrative costs while drilling this well and also while
16 producing this well, if it is, in fact, a successful effort?

17 A Yes. \$4500 a month drilling and \$465 a
18 month operating.

19 Q Are these costs in line with what other
20 operators in the area are charging?

21 A Yes.

22 Q Do you recommend that these figures be
23 incorporated into any order which results from this hearing?

24 A Yes.

25 Q Does Chama Petroleum Company seek to be
designated operator of the well in question?

A Yes.

Q Mr. Nearburg, in your opinion will

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2 granting this application be in the best interest of conser-
3 vation, the prevention of waste, and the protection of cor-
4 relative rights?

5 A Yes.

6 Q Were Exhibits One through Five prepared
7 by you or compiled under your direction?

8 A Yes.

9 MR. CARR: At this time, Mr.
10 Stogner, we would offer into evidence Chama Petroleum
11 Company Exhibits One through Five.

12 MR. STOGNER: Exhibits One
13 through Five will be admitted into evidence.

14 MR. CARR: That concludes our
15 examination of this witness.

16 MR. STOGNER: I have no
17 questions of this witness.

18 Are there any questions of Mr.
19 Nearburg at this time?

20 MR. CARR: At this time I would
21 call Louis Mazzullo.

22 LOUIS MAZZULLO,
23 being called as a witness and being duly sworn upon his
24 oath, testified as follows, to-wit:
25

DIRECT EXAMINATION

BY MR. CARR:

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

A My name is Louis Mazzullo. I live in Midland, Texas.

Q Mr. Mazzullo, by whom are you employed?

A I'm a petroleum geological consultant under retainer to Chama Petroleum Company.

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

A I did.

Q Are you familiar with the application of Chama in this case?

A I am.

Q And the subject lands?

A Uh-huh, yes.

MR. CARR: Are the witness' qualifications acceptable?

MR. STOGNER: They are.

Q Mr. Mazzullo, have you advised Chama concerning the re-entry of the subject well?

A I have.

Q And working with Chama have you evaluated the various zones of interest in the well?

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A I evaluated all of them.

Q Would you briefly summarize your evaluation of the Strawn prospect in this well?

A The Strawn prospect in this well is of a low energy, limited sandstone type reservoir, which is recognized, generally recognized by operators as being a limited reservoir.

Although the log calculations that were run on these zones indicated the possibility of hydrocarbon bearing sands, there's only a total net footage of six feet of porosity in the entire Strawn zone.

The nearest production in the Strawn is 2-1/2 miles to the west in one well, which has produced only in excess--a little bit more in excess of 18-million cubic feet of gas in a year and a half.

Q Have you also evaluated the Canyon?

A I have. The Canyon zone is a potentially good dolomite reservoir. It went untested when the Crusader Rabbit was originally drilled, even though it has good log calculated favorabilities.

The drawbacks to the Canyon is that there are fractured dolomites with a good chance of vertical water communication between zones and there are also up-dip water shows in the Morrison Well to the northwest.

The nearest production in the Canyon, from the Canyon, or what we refer to as the Cisco Canyon for clarity, is three miles to the west in one well in Section

11 of 19, 25. Better production is found six miles to the west in the Dagger Draw North Field.

Q What does your evaluation of the Victorio Peak, or Abo, formation show?

A The Victorio Peak, commonly referred to as Abo in the area, is another potentially good dolomite reservoir zone. The nearest production from the Abo, or Victorio Peak, is two and a half miles to the northeast in the Dayton Field.

The potential in the Crusader Rabbit, however, is from an untested zone that is stratigraphically lower than production in the Dayton Abo Field.

Q And what does your evaluation show concerning the Glorieta Yeso?

A The Glorieta Yeso interval is characterized by low permeability, sandy, dolomite reservoirs. Log calculated hydrocarbon favorabilities indicate that it would probably be wet, or they indicate that it's water productive.

The Glorieta Yeso in the area commonly requires a lot of production stimulation before completion can be attempted and once completion is established, the reservoir yields are fairly low.

Q Mr. Mazzullo, do you have a recommendation to make to the Examiner concerning the risk penalty that should be assessed against any interest owner who does not voluntarily participate in the well?

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2 A I do. I would recommend to Chama to take
3 the full risk penalty allowable.

4 Q Do you believe there is a chance for a
5 noncommercial well resulting from this re-entry effort?

6 A There is a very high probability, as I've
7 just indicated, that the--that the well would not be com-
8 mercially productive.

9 Q Do you have anything further to add to
10 your testimony?

11 A The only other comment that I would offer
12 is that Chama is taking a high risk in re-entering this well
13 which was previously abandoned and judged unfavorable.

14 MR. CARR: That concludes my
15 direct examination of this witness.

16 CROSS EXAMINATION

17 BY MR. STOGNER:

18 Q The formations you've mentioned this
19 morning, were they previously tested in this well when it
20 was previously drilled?

21 A No, none of the--none of the zones that
22 I've just mentioned were tested in this well. The well was
23 drilled down to the Morrow formation and that was the
24 probably primary target.

25 Q What is the standard proration unit size
for the Victorio Peak and the Yeso in this area?

A I don't know that offhand. Do you know,

Mark?

MR. NEARBURG: Shall I answer?

MR. STOGNER: Please.

MR. NEARBURG: 40 acres.

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

Are there any further questions of this witness? If not, he may be excused.

MR. CARR: Nothing further in this case, Mr. Stogner.

MR. STOGNER: Case Number 7977 will be taken under advisement.

(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 complete record of the proceedings in
the Examiner hearing of Case No. 7977
heard by me on Oct. 26 1983

Michael P. Hagner, Examiner
Oil Conservation Division