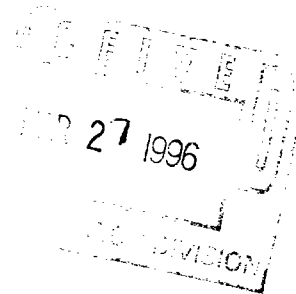


**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:**



**APPLICATION OF NEARBURG EXPLORATION  
COMPANY FOR AN UNORTHODOX GAS WELL  
LOCATION, EDDY COUNTY, NEW MEXICO.**

**CASE 11481**

**MOTION OF NEARBURG EXPLORATION COMPANY  
FOR RECONSIDERATION OF EXAMINER'S DECISION  
TO GRANT  
READ & STEVEN'S MOTION TO QUASH  
SUBPOENA**

NEARBURG EXPLORATION COMPANY ("Nearburg") requests that the New Mexico Oil Conservation Division reconsider its decision made March 25, 1995 to grant Read & Steven's Motion to Quash the Subpoena issued to Nearburg seeking to obtain bottom hole pressure data on the Read & Stevens Crystal No 1 Well located in the SE/4 of Section 4, T24S, R26E, Eddy County, New Mexico and in support states:

**BACKGROUND**

(1) On March 25, 1996, Examiner David Catanach heard arguments of Counsel for Read & Stevens and of Counsel for Nearburg concerning a Motion by Read & Stevens to Quash a Subpoena issued at the request of Nearburg in which Nearburg sought to obtain the following:

- (a) data concerning the Read & Stevens well;
- (b) the facts and opinions held by Read & Steven's expert witness concerning the basis for his expected testimony in opposition to Nearburg; and
- (c) whatever studies, calculations and/or reports Read & Stevens had which would support the statement it had made in its Pre-Hearing Statement.

(2) Counsel for Read & Stevens advised Examiner Catanach that despite Read & Stevens filing a Pre-Hearing Statement in which it claimed that Nearburg's well "at the proposed location will unfairly drain reserves attributed to opponents' (Read & Stevens) interest in the E/2 of Section 4, T24S, R26E..." and that Read & Steven's expert witness who would "probably show pressure data, volumetric and drainage calculations." in fact Read & Stevens:

- (a) did not have any drainage calculations;
- (b) did not have any volumetric calculations;
- (c) did not have any engineering studies or reservoir simulations to support its claim of drainage;
- (d) did not intend to call a petroleum engineering witness or introduce any petroleum engineering evidence; and
- (e) intended to oppose Nearburg strictly upon its geologic contention that Nearburg's closest standard location was equal to or better than the Nearburg proposed unorthodox well location;

(3) Counsel for Read & Stevens stated that Read & Stevens did have a measured bottom hole pressure for its Crystal Well taken about 6 months ago but refused to disclose that information because to do so would disclose confidential information which Nearburg could use to its advantage in a competitive effort by both Read & Stevens and Nearburg to acquire Morrow interests in Section 9 to the south of Section 4 where Read & Stevens Crystal Well is located and to the west of Section 10 where Nearburg intends to drill the subject well.

(4) Counsel for Nearburg argued that:

- (a) the bottom hole pressure data was essential and relevant in order for Nearburg's petroleum engineer to have adequate pressure points from which to prepare a P/Z decline curve and to properly study drainage areas for the Read & Stevens well; and
- (b) that even though Read & Stevens was not presenting a petroleum engineer, Read & Stevens could not withhold relevant data from Nearburg and thereby frustrate Nearburg's attempt to adequately prepare for hearing; and

(4) Examiner Catanach declined to require Read & Stevens to disclose the measured bottom hole pressure data for the Crystal No. 1 Well to (a) protect Read & Stevens from disclosing data which might help Nearburg compete against Read & Stevens for Morrow interests in Section 9; and (b) because a publically available November 6, 1995 surface shut-in pressure could adequately substitute for a measured bottom hole pressure in this case.

**BASIS FOR NEARBURG'S MOTION FOR RECONSIDERATION**

Nearburg respectfully requests the Division Examiner reconsider his decision because:

**(A) NO COMPETITION OCCURRING IN SECTION 9:**

Nearburg has not and does not intend to compete with Read & Stevens' effort to acquire any Morrow interest in Section 9. In addition, there are no outstanding working interest in Section 10 and all of those working interest owners have reached a voluntary agreement for the drilling of the subject well. (See Exhibit #1, attached)

Thus, Read & Stevens, based upon facts which were not true, persuaded Examiner Catanach to not require it to produce the bottom hole pressure data on its well.

**(B) THE SURFACE SHUT-IN PRESSURE IS INADEQUATE:**

The surface shut in pressure of 2300 psi reported for the Read & Stevens Crystal Well on November 6, 1996 is not a reasonable substitute for an analysis of the measured bottom hole pressure data because the Crystal Well produces a sufficient volume of water (approximately 19 BWPD per data supplied by Read & Stevens) which will make the bottom hole pressure calculations from surface shut-in pressures inaccurate without knowing a fluid level and having a water analysis. The annual shut-in tubing pressure test indicates a pressure reading 24 hours after shut-in per the Read & Stevens filing. It is highly unlikely that the well would build up sufficiently in 24 hours to accurately measure a true reservoir pressure.

The bottom hole pressure test taken by Read & Stevens was hopefully run for a sufficient period of time to obtain enough data to calculate a true reservoir pressure, and would therefore be the only useful measurement to project ultimate recoveries and associated drainage areas.

## **Nearburg Motion for Reconsideration**

**Case No. 11481**

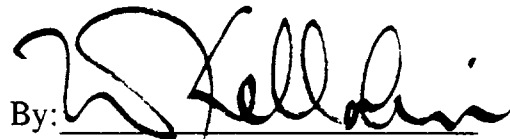
**Page 5**

Thus, Nearburg is entitled to this relevant data in order to adequately prepare for hearing.

Accordingly, Nearburg requests Examiner Catanach to:

- (a) require Read & Stevens to produce the requested bottom hole pressure data; and
- (b) enter an order precluding Rad & Stevens from introducing petroleum engineering evidence at the hearing of this case.

KELLAHIN AND KELLAHIN

By: 

W. Thomas Kellahin

P.O. Box 2265

Santa Fe, New Mexico 87504

(505) 982-4285

### **CERTIFICATE OF SERVICE**

The undersigned certifies that a copy of the foregoing pleading was hand delivered to the office of Ernest L. Padilla, attorney for Read & Stevens on March 27, 1996.



**Nearburg Exploration Company, L.L.C.**

Exploration and Production  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705  
915/686-8235  
Fax 915/686-7805

March 26, 1996

Mr. Tom Kellahin  
Kellahin & Kellahin  
P. O. Box 2265  
Santa Fe, New Mexico 87504  
VIA FAX 505/982-2047

Re: New Mexico Oil Conservation Division Hearing  
Case #11481; W/2 Section 10, T-24-S, R-26-E,  
Eddy County, New Mexico  
Black River Prospect

Dear Mr. Kellahin:

With reference to our telephone conversation of this afternoon, please be advised that Nearburg Exploration Company, L.L.C. has not been attempting to acquire any interest in Section 9 of the captioned township and range. Our prospect consists of the W/2 of Section 10 and acreage we own by virtue of a state oil and gas lease in the W/2 of Section 3. We are not presently negotiating for the acquisition of any interest in Section 9, and our understanding is that this acreage is already held by production by a Morrow well in the E/2.

Any pressure information requested from Read & Stevens has been requested solely in the context of the upcoming hearing and will be used for that purpose only. Please advise Mr. Catanach of the above and that we are prepared to proceed with the hearing on April 4, 1996.

Thank you for your cooperation. If you have any questions, please feel free to contact the undersigned.

Yours very truly,



Robert G. Shelton  
Attorney-in-Fact

