

NEW MEXICO OIL CONSERVATION DIVISION

STATE OF NEW MEXICO

CASE NO. 10532

IN THE MATTER OF:

The Application of Nearburg Producing
Company for an unorthodox oil well
location, Eddy County, New Mexico.

BEFORE:

DAVID R. CATANACH

Hearing Examiner

State Land Office Building

August 20, 1992

REPORTED BY:

DEBBIE VESTAL
Certified Shorthand Reporter
for the State of New Mexico

ORIGINAL

A P P E A R A N C E S

FOR THE APPLICANT:

CAMPBELL, CARR, BERGE & SHERIDAN, P.A.
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
BY: WILLIAM F. CARR, ESQ.

I N D E X

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Appearances

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WITNESSES FOR THE APPLICANT:

1. JOE FITZGERALD

Examination by Mr. Carr

5

Examination by Examiner Catanach

11

Certificate of Reporter

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1 EXAMINER CATANACH: And at this time
2 we'll call Case 10532, which is the application
3 of Nearburg Producing Company for an unorthodox
4 oil well location, Eddy County, New Mexico.

5 Are there appearances in this case?

6 MR. CARR: May it please the Examiner,
7 my name is William F. Carr with the Santa Fe law
8 firm, Campbell, Carr, Berge & Sheridan. We
9 represent Nearburg Producing Company in this
10 case, and I have one witness.

11 EXAMINER CATANACH: Any other
12 appearances in this case?

13 Will the witness, please, stand and be
14 sworn in.

15 JOE FITZGERALD

16 Having been duly sworn upon his oath, was
17 examined and testified as follows:

18 EXAMINATION

19 BY MR. CARR:

20 Q. Will you state your name for the
21 record, please?

22 A. Joe Fitzgerald.

23 Q. Where do you reside?

24 A. Midland, Texas.

25 Q. By whom are you employed and in what

1 capacity?

2 A. Nearburg Producing Company as a
3 landman.

4 Q. Have you previously testified before
5 this Division and had your credentials as a
6 landman accepted and made a matter of record?

7 A. Yes.

8 Q. Are you familiar with the application
9 filed in this case on behalf of Nearburg
10 Exploration or Nearburg Producing Company?

11 A. Yes.

12 Q. And are you familiar with the proposed
13 Emerald 32 No. 2 well?

14 A. Yes.

15 MR. CARR: Are the witness'
16 qualifications acceptable?

17 EXAMINER CATANACH: They are.

18 Q. (BY MR. CARR) Mr. Fitzgerald, what
19 does Nearburg seek with this application?

20 A. Approval for an unorthodox oil well
21 location 2080 feet from the south line, 1400 feet
22 from the west line, Unit K of Section 32,
23 Township 24 South, Range 29 East, to test in the
24 undesignated Willow Lake-Delaware Pool, the
25 northeast-southwest quarter of said Section 32.

1 Q. This well is proposed in an unorthodox
2 location?

3 A. Yes.

4 Q. In fact, it is only 80 feet off the
5 western boundary of the 40-acre tract; is that
6 correct?

7 A. Correct.

8 Q. Therefore it wouldn't qualify for
9 administrative approval?

10 A. Correct.

11 Q. Let's move to what has been marked as
12 Nearburg Exhibit No. 1. Could you identify that
13 for Mr. Catanach and then review it, please?

14 A. It's a topo map showing what a legal
15 location would have been, 1980-1980, which falls
16 in the Pecos River Channel, which is not an
17 acceptable location for the BLM. That's
18 indicated by a blue dot. The red dot is the
19 approximate location of this -- of the well we're
20 asking for here.

21 Q. Could you review for Mr. Catanach your
22 efforts to find a suitable location for a well on
23 this 40-acre tract?

24 A. Yes. We met with the BLM to show that
25 the 1980-1980 location would not be acceptable.

1 We met with them out on the site. We then moved
2 the location to 1650-1980 at the request of the
3 BLM, had that site archeologically surveyed. It
4 fell within some sites that required us to move
5 it once again. And that's when we came up with
6 the current location.

7 Q. Now, this is the third time you've
8 moved the well?

9 A. Yes, sir.

10 Q. Do you anticipate BLM approval of this
11 location?

12 A. Yes, sir.

13 Q. Have you received an archeological
14 clearance?

15 A. The archeological report has been done
16 and is turned into the BLM.

17 Q. Based on the archeological
18 considerations and the topographic conditions, is
19 there any standard location in this 40 --

20 A. No.

21 Q. -- where you could drill a well?

22 A. No.

23 Q. Let's go to what has been marked as
24 Nearburg Exhibit No. 2. Would you identify and
25 review that, please?

1 A. It's just a little land plat showing
2 the ownership of Section 32 as to the working
3 interests.

4 Q. Now, the proposed location is
5 encroaching on the northwest of the southwest; is
6 that correct?

7 A. Yes.

8 Q. And the ownership in that 40-acre
9 tract, the tract toward whom you're moving, is
10 the same as the ownership set out for the
11 southeast quarter?

12 A. Correct.

13 Q. Have you approached each of the
14 interest owners in that property and sought their
15 waiver of objection?

16 A. Yes.

17 Q. And are Exhibits 3 through 8 waiver
18 letters from each of the interest owners in the
19 property toward whom you're moving the well?

20 A. Yes.

21 Q. Is Exhibit No. 9 a copy of an affidavit
22 confirming that notice of this hearing has been
23 provided to all affected interest owners?

24 A. Yes.

25 Q. In your opinion, Mr. Fitzgerald, will

1 approval of this application permit Nearburg to
2 produce hydrocarbons that otherwise would be left
3 in the ground?

4 A. Yes.

5 Q. Will approval of the application
6 adversely impact the correlative rights of any
7 interest owner in the area?

8 A. No.

9 Q. How many other Delaware wells are there
10 in this immediate vicinity?

11 A. There is a Delaware well in the
12 northwest-southeast of Section 31, directly west
13 of 32, which is in the Willow Lake-Delaware
14 Pool. In fact, that's the well that commits that
15 pool.

16 There is also a well in the
17 southwest-northwest that is a Delaware well.
18 It's a Nearburg well also. And I do not know if
19 it has been -- if the Willow Lake Pool has been
20 expanded to include that or not yet. I presume
21 it will be if it hasn't yet.

22 Q. Were either of these wells also drilled
23 at unorthodox locations because of the topography
24 in the area?

25 A. Yes. The one in the

1 southwest-northwest of 32, that is Nearburg's
2 Emerald 32 Fed. No. 1 well.

3 Q. Were Exhibits 1 through 9 either
4 prepared by you or compiled at your direction?

5 A. Yes.

6 MR. CARR: At this time, Mr. Catanach,
7 we move the admission of Nearburg Exhibits 1
8 through 9.

9 EXAMINER CATANACH: Exhibits 1 through
10 9 will be admitted as evidence.

11 MR. CARR: That concludes my
12 examination of Mr. Fitzgerald.

13 EXAMINATION

14 BY EXAMINER CATANACH:

15 Q. Okay. Mr. Fitzgerald, it's my
16 understanding you initially started at 1980-1980?

17 A. Yes, sir.

18 Q. That obviously fell into the river
19 channel?

20 A. Yes, sir.

21 Q. How far on each side of the river does
22 that channel extend?

23 A. Well, the cutbank is quite wide. The
24 topo plat is a -- is fairly old. You know, they
25 haven't -- the USGS hasn't updated this

1 particular quadrant in a while. But the cutbank
2 at that location, I'd just be guessing as giving
3 a footage, but, you know, it is extensive. Do
4 you want an approximate footage?

5 Q. No. That's all right.

6 A. The river itself is not immense, but
7 it's the cutbank that they're -- And also this
8 falls within the Pecos River Recreational Area,
9 and the BLM is very sensitive as to keeping the
10 -- what's a good word? -- the area from having a
11 lot of unnatural fabrications put up.

12 Q. Okay. Was that location determined to
13 be unacceptable just by Nearburg, or did you
14 consult with BLM on that one?

15 A. No. We met with the BLM at the site on
16 all three locations.

17 Q. And that was totally unacceptable?

18 A. Yes.

19 Q. You subsequently moved to 1980 from the
20 north?

21 A. 1650 from the west. And the BLM
22 thought that would work for them, but then when
23 the archeological report came back, there was a
24 number of sites, which we suspected anyway
25 because you're so close to the river and it

1 usually does incur sites.

2 Q. So BLM subsequently denied that
3 location also?

4 A. [Nodded.]

5 Q. Did Nearburg make any attempt at that
6 point to move either north or south from that
7 location?

8 A. Well, the location we have now is the
9 one that between the BLM representative and the
10 archeologist determined that that would be the
11 better location.

12 When we had our archeological survey
13 for our Emerald 32 Fed. No. 1 well, which is
14 directly north of the 40-acre spacing unit,
15 directly north, that survey indicated some sites
16 that could conflict with anything north of where
17 we are now.

18 Q. Do you know how deep this well will be?

19 A. Six thousand seven hundred feet.

20 Q. I realize you're not an engineer, but
21 do you have an idea as to whether or not it's
22 possible that you could have a bottomhole
23 location that's not on this 40-acre tract due to
24 the well deviating?

25 A. I'm not qualified.

1 Q. Okay. The ownership in the southwest
2 quarter is common?

3 A. Yes. The northeast, southeast, and the
4 -- excuse me.

5 Q. Northeast-southwest?

6 A. You meant the southwest quarter. You
7 said southwest quarter.

8 Q. Right. Southwest quarter.

9 A. Okay. The lease that we are drilling
10 on is common with the south half of the
11 southwest. And that is a federal lease that was
12 originally owned by Bettis and Enron. And then
13 the northeast-southwest and the southeast is a
14 state lease, which is owned as indicated on my
15 plat.

16 A. The northwest quarter is -- well, the
17 west half-northwest quarter and the
18 northeast-northwest is also state. The
19 southeast-northwest is federal. And then the
20 northeast quarter is fee.

21 Q. What is the ownership of the acreage in
22 the tract that you're drilling on?

23 A. We -- Nearburg has farmouts from both
24 Enron and Bettis.

25 Q. Okay.

1 A. We have a September 23 must-spud date
2 called for in those agreements.

3 Q. So the quarter section directly to the
4 west of your tract is owned by Exxon, Nearburg,
5 UTI, Richard Barr, and Scott Wilson?

6 A. Yes.

7 Q. And all of those parties were notified?

8 A. Yes.

9 Q. Have you had any response from your
10 notification to any of those parties?

11 A. We've got waivers from all of them.

12 Q. You do have waivers --

13 A. Uh-huh.

14 Q. -- from everyone?

15 A. Including Bettis and Enron.

16 EXAMINER CATANACH: I believe that's
17 all I have.

18 MR. CARR: That concludes our
19 presentation, Mr. Catanach.

20 EXAMINER CATANACH: There being nothing
21 further, Case 10532 will be taken under
22 advisement.

23 [And the proceedings were concluded.]

24 I do hereby certify that the foregoing is
25 a complete record of the proceedings in
 the Examiner hearing of Case No. 10532,
 heard by me on August 1992.

David P. Catanach, Examiner
Oil Conservation Division

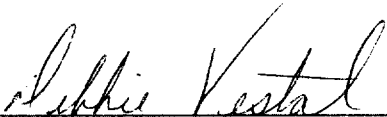
CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Debbie Vestal, Certified Shorthand Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I caused my notes to be transcribed under my personal supervision; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL AUGUST 24,
1992.



DEBBIE VESTAL, RPR
NEW MEXICO CSR NO. 3