

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: ) CASE NO. 10682

APPLICATION OF Nearburg Producing  
COMPANY  
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REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

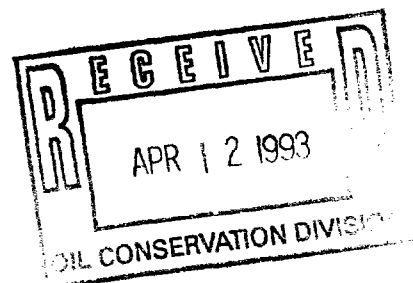
BEFORE: Michael E. Stogner, Hearing Examiner

March 18, 1993

Santa Fe, New Mexico

This matter came on for hearing before the  
Oil Conservation Division on March 18, 1993, at the  
Oil Conservation Division Conference Room, State Land  
Office Building, 310 Old Santa Fe Trail, Santa Fe, New  
Mexico, before Deborah O'Bine, RPR, Certified Court  
Reporter No. 63, for the State of New Mexico.

**ORIGINAL**



## I N D E X

March 18, 1993  
Examiner Hearing  
CASE NO. 10682

APPEARANCES PAGE  
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Nearburg Producing COMPANY'S WITNESS:

JOE FITZGERALD

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CUMBRE COURT REPORTING

P.O. BOX 9262

SANTA FE, NEW MEXICO 87504-9262

(505) 984-2244

## A P P E A R A N C E S

FOR THE DIVISION:

ROBERT G. STOVALL, ESQ.

General Counsel

Oil Conservation Commission

State Land Office Building

310 Old Santa Fe Trail

Santa Fe, New Mexico 87501

FOR THE APPLICANT:

CAMPBELL, CARR, BERGE &amp;

SHERIDAN, P.A.

P.O. Box 2208

Santa Fe, New Mexico 87504

BY: WILLIAM F. CARR, ESQ.

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1 EXAMINER STOGNER: Call next case, No.  
2 10682.

3 MR. STOVALL: Application of Nearburg  
4 Producing Company for an unorthodox gas well location,  
5 Eddy County, New Mexico.

6 EXAMINER STOGNER: Call for appearances.

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

11 EXAMINER STOGNER: Are there any other  
12 appearances?

13 Will the witness please stand to be sworn?

14 JOE FITZGERALD,  
15 the witness herein, after having been first duly sworn  
16 upon his oath, was examined and testified as follows:

17 EXAMINATION

18 BY MR. CARR:

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

21 A. Joe Fitzgerald.

22 Q. And where do you reside?

23 A. Midland, Texas.

24 Q. By whom are you employed?

25 A. Nearburg Producing Company.

1 Q. And in what capacity?

2 A. As a landman, petroleum landman.

3 Q. Mr. Fitzgerald, have you previously  
4 testified before this Division?

5 A. Yes.

6 Q. At the time of that prior testimony, were  
7 your credentials as a petroleum landman accepted and  
8 made a matter of record?

9 A. Yes.

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

12 A. Yes.

13 Q. And are you familiar with the Sueno 15 #1  
14 well which is the subject of this case?

15 A. Yes.

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

18 EXAMINER STOGNER: They are.

19 Q. (BY MR. CARR) Mr. Fitzgerald, could you  
20 briefly indicate what Nearburg Producing Company seeks  
21 with this application?

22 A. Nearburg Producing Company is asking for  
23 approval to recomplete an unorthodox gas well  
24 location, being our Sueno 15 #1 well. Which was  
25 drilled to the Strawn under Division Order R-9543 at

1 an unorthodox location of 2,500 feet from the north  
2 line, 660 from the west line, Unit E of Section 15,  
3 Township 22 South, Range 27 East, Eddy County, New  
4 Mexico.

5 Q. And you're proposing to recomplete the well  
6 in the Delaware formation?

7 A. Yes.

8 Q. Have you prepared exhibits for presentation  
9 here today?

10 A. Yes.

11 Q. Could you identify and review for Mr.  
12 Stogner what has been marked Nearburg Exhibit No. 1?

13 A. That is a land plat giving the location --  
14 showing the location of the well in the proposed unit.

15 Q. Let's go to the second page of that  
16 exhibit, which has been marked 1-A, and I'd ask you to  
17 review that?

18 A. That is an ownership plat that I prepared  
19 showing the offset owners of the various tracts.

20 Q. What is actually the spacing setback  
21 requirement for wells developed on 160-acre spacing?

22 A. 330.

23 Q. 660 from the outer boundary?

24 A. 606 from the outer boundary, 330 from the  
25 unit line.

1 Q. You are how close to the offsetting track?

2 A. To the tract to the west, we are 660 from  
3 it.

4 Q. And to the south?

5 A. To the south, we're 140 feet to it.

6 Q. So you're actually not encroaching on the  
7 interest owners in Section 16?

8 A. Correct.

9 Q. Could you now go to what has been marked  
10 Exhibit No. 2 and identify that for Mr. Stogner?

11 A. That is the previous Order the Commission  
12 granted on our original drilling of those Sueno 15 #1  
13 well.

14 Q. This was approved in July of '91?

15 A. Yes, sir.

16 Q. When was that well actually drilled?

17 A. I believe in August of '91.

18 Q. And it was drilled to what formation?

19 A. The Strawn.

20 Q. What acreage was dedicated to it at that  
21 time?

22 A. West half of Section 15.

23 Q. What is the current status of that well?

24 A. The well is currently making 3 barrels of  
25 oil and 36 Mcf a day.

1 Q. You have given notice of this hearing to  
2 the offsetting operators, have you not?

3 A. Yes.

4 Q. You're really not encroaching on them?

5 A. No.

6 Q. Why was notice given?

7 A. We gave the notice in the previous hearing,  
8 and we did it as a courtesy for this one.

9 Q. Let's go now to what has been marked as  
10 Nearburg Exhibit No. 3. Could you identify that for  
11 the examiner?

12 A. That's the Affidavit of Notice.

13 Q. And go on then and identify for us and the  
14 Examiner Exhibit No. 4?

15 A. That is a memo prepared by our engineering  
16 manager discussing the cost difference between  
17 drilling a new well to the Delaware or recompleting  
18 this well.

19 Q. And basically what does it show?

20 A. It shows that if we were to drill a new  
21 well at the standard location, it would cost \$290,243,  
22 whereas recompleting the current well we believe will  
23 cost us \$38,495, and we even have the potential of  
24 salvaging some of our tubulars, which would reduce our  
25 cost to \$19,955.



1 Q. Will the reentry and recompletion result in  
2 a more effective and efficient way of producing the  
3 Delaware reserves in the area?

4 A. Yes.

5 Q. What portion of the Delaware formation do  
6 you plan to recomplete?

7 A. We plan for this to be in the Brushy  
8 Canyon.

9 Q. Is there any other Brushy Canyon production  
10 in the immediate area, the offsetting sections to the  
11 proposed recompletion?

12 A. No.

13 Q. What formation or portion of the Delaware  
14 is generally developed in this area?

15 A. There is some development in the Bell  
16 Canyon, but it's more than a mile away from this  
17 location.

18 Q. In your opinion, will approval of this  
19 application and the recompletion of the Sueno 15 #1 in  
20 the Delaware formation be in the best interest of  
21 conservation, the prevention of waste, and the  
22 protection of correlative rights?

23 A. Yes.

24 Q. Were exhibits 1 through 4 prepared by you  
25 or compiled under your direction?

1           A.     Yes.

2           MR. CARR:   At this time, Mr. Stogner, we  
3 move the admission of Nearburg Exhibits 1 through 4.

4           EXAMINER STOGNER:   Exhibits 1 through 4  
5 will be admitted into evidence.

6           MR. CARR:   That concludes my examination of  
7 Mr. Fitzgerald.

8                               EXAMINATION

9   BY MR. STOGNER:

10          Q.     Mr. Fitzgerald, has a recompletion form  
11 been provided to our district office in Artesia?

12          A.     Yes, I believe it has.   I don't have it  
13 with me.

14          Q.     And that's going to be a Delaware-Brushy  
15 Canyon test.   Is this, I take it, going to be a gas  
16 well?

17          A.     Yes, that's what we expect.

18          Q.     Is this proration unit, your 160 acres  
19 being in the northwest of 15, is that within a mile or  
20 any part of it within a mile of a pre-designated  
21 Delaware pool?

22          A.     No, sir.

23          Q.     And you have looked that up?

24          A.     Yes, sir.

25          Q.     And what records did you substantiate that?

1           A.     The -- I can't think of the name of the --  
2                   MR. STOVALL:   Byrum's?

3                   THE WITNESS:   The Byrum's book.   It would  
4     all be in there.   That's the correct answer.

5           Q.     (BY EXAMINER STOGNER)   How would you see if  
6     this was within a mile just by looking at the Byrum's?

7           A.     Well, we studied the production, looked for  
8     the the fields, to production in the area, and looked  
9     for any other Delaware, and looked up those -- the  
10    production that was in the book that would -- related  
11    to those fields, and then there were no Delaware  
12    fields in this area in the Brushy Canyon.

13          Q.     You say field.   I'm assuming you're meaning  
14    pool?

15          A.     Excuse me.

16          Q.     Considering that we do not use fields here  
17    in New Mexico?

18          A.     Yes, sir.   Like I said, there were some  
19    over a mile away in the Bell Canyon but not in the  
20    Brushy.

21          Q.     Do you know what pool the Bell Canyon  
22    production was from?

23          A.     I want to say the Esperanza.

24          Q.     Esperanza Delaware or Bell Canyon?

25          A.     Delaware.   I believe that was right.

1 Q. And that's within a mile?

2 A. It's over a mile.

3 Q. Over a mile?

4 A. Yes, sir.

5 Q. Realizing that the Brushy draw is part of  
6 the Delaware; is that correct?

7 A. Yes, sir.

8 Q. Now, this is a recompletion uphole; is that  
9 correct?

10 A. Yes, sir.

11 Q. I'm curious, why wasn't this done  
12 administratively pursuant to 104(f)(1)?

13 A. Because we're closer than 330 to our unit.

14 Q. I'm going to ask the question again. Why  
15 didn't you do this administratively since 104(f)(1)  
16 does provide for administrative authorization for a  
17 recompletion uphole which was from a well that was  
18 previously drilled to a deeper horizon?

19 A. We --

20 MR. CARR: Mr. Stogner, we reviewed the  
21 Rule, and the way we understood it was that being  
22 closer than the 330 feet could take us out of the  
23 administrative procedure. And for that reason, since  
24 we were only 140 feet off the outer boundary, we were  
25 concerned we might not qualify.

1 EXAMINER STOGNER: And so the -- okay.

2 MR. CARR: So that's why we did it this  
3 way. We would have loved to have done it  
4 administratively, but we read the rule and we were not  
5 clear whether or not we could actually qualify.

6 EXAMINER STOGNER: Actually, that's  
7 probably not a bad idea with only being 140 feet off  
8 that lease line.

9 MR. CARR: Even though we were encroaching  
10 on ourselves, we just were afraid we would go through  
11 the exercise of administrative application and then be  
12 at a hearing anyway.

13 Q. (BY EXAMINER STOGNER) Do the working  
14 interest and the royalty interest owners differ  
15 somewhat from the northwest quarter of 15 as that in  
16 the southwest quarter of 15?

17 A. No.

18 EXAMINER STOGNER: Any other questions of  
19 Mr. Fitzgerald?

20 MR. STOVALL: No questions.

21 EXAMINER STOGNER: You may be excused.

22 Mr. Carr, do you have anything further?

23 MR. CARR: Nothing further, Mr. Stogner.

24 EXAMINER STOGNER: Case No. 10682 will be  
25 taken under advisement.

CERTIFICATE OF REPORTER

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

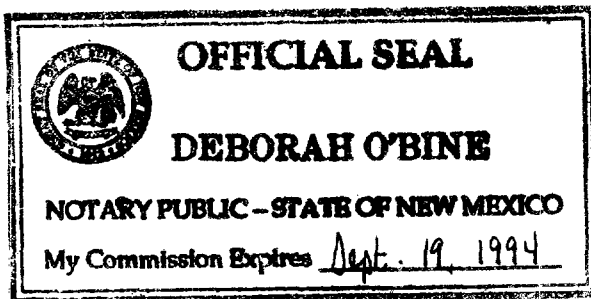
I, Deborah O'Bine, Certified Shorthand Reporter and Notary Public, HEREBY CERTIFY that I caused my notes to be transcribed under my personal supervision, and that the foregoing transcript is a true and accurate record of the proceedings of said hearing.

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, March 30, 1993.

*Deborah O'Bine*

DEBORAH O'BINE  
 CCR No. 63



I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 10682, heard by me on 18 March 1993.

*Michael E. Flynn*, Examiner  
 Oil Conservation Division