

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION
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6 EXAMINER HEARING
7

8 IN THE MATTER OF:
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10 Application of Nearburg Producing
11 Company for amendment of Division Case 10033
12 Order No. R-9168, Lea County, New Mexico
13
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16 TRANSCRIPT OF PROCEEDINGS
17

18 BEFORE: MICHAEL E. STOGNER, EXAMINER
19
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21 STATE LAND OFFICE BUILDING

22 SANTA FE, NEW MEXICO

23 August 8, 1990
24

25 **ORIGINAL**

A P P E A R A N C E S

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1 P R O C E E D I N G S

2 HEARING EXAMINER: Should we continue to the next
3 case, Mr. Stovall?

4 MR. STOVALL: It's okay with me.

5 HEARING EXAMINER: Which is Case No. 10033.

6 MR. STOVALL: Application of Nearburg Producing
7 Company for amendment of Division Order No. R-9168, Lea County,
8 New Mexico.

9 HEARING EXAMINER: Call for appearances.

10 MR. CARR: May it please the Examiner, my name is
11 William F. Carr with the law firm Campbell & Black, P.A. of
12 Santa Fe. We represent Nearburg Producing Company and I have
13 one witness.

14 MR. STOVALL: Is that Mr. Nearburg who has already
15 been sworn?

16 MR. CARR: Yes, sir. I would like the record to
17 reflect that the witness is Mr. Mark Nearburg. He's previously
18 been sworn and his credentials as an expert witness in land
19 matters has been accepted. I would like the record to so
20 reflect.

21 HEARING EXAMINER: The record will so reflect,
22 Mr. Carr.

23 MR. CARR: May it please the Examiner, on April 18,
24 1990, an application of Nearburg Producing Company came before
25 you. It was styled Case 9909. And it involved the approval or

1 the pooling of a standard 80-acre proration unit to be
2 comprised of the west -- east half of the Northwest Quarter of
3 Section 17. An order was entered in this case on May 1, 1990,
4 pooling that acreage. What we are seeking here today is to
5 amend that order to dedicate instead of the east half of the
6 Northwest Quarter of 17, the north half. The testimony as you
7 will see is virtually identical to what was presented before.
8 The ownership has not changed, but the reorientation of the
9 spacing unit is necessary to enable Nearburg to drill an
10 additional well to offset recent production in the Northeast
11 Quarter of 17. For that reason we would request that the
12 record in Case 9909 be incorporated into the record of this
13 case.

14 HEARING EXAMINER: Mr. Carr, it's going to offset
15 production from where?

16 MR. CARR: A new well that has been drilled, I
17 believe we will show you in the southwest of the northeast
18 of 17.

19 HEARING EXAMINER: Okay, Mr. Carr.

20 MR. CARR: With your permission can we incorporate
21 the record of the prior hearing?

22 HEARING EXAMINER: Yes, we will do that. It's case
23 number --

24 MR. CARR: It was Case No. 9909.

25 HEARING EXAMINER: Case No. 9909 and its record in

1 its entirety will be incorporated with this hearing today.

2 MR. CARR: Thank you, Mr. Stogner.

3 MARK NEARBURG,

4 the witness herein, after having been previously sworn upon his
5 oath, was examined and testified as follows:

6 EXAMINATION

7 BY MR. CARR:

8 Q. Mr. Nearburg, are you familiar with the application
9 filed in this case?

10 A. Yes, I am.

11 Q. Are you familiar with the subject area and the
12 proposed pooling of interests?

13 A. Yes.

14 Q. Could you briefly state for the Examiner what you
15 seek with this application.

16 A. Nearburg seeks to amend Division Order R-9168 which
17 authorized compulsory pooling in a spacing unit consisting of
18 the east half Northwest Quarter of Section 17, Township 16
19 South, Range 37 East in Lea County, New Mexico. We seek to
20 change the proration unit to the north half Northwest Quarter
21 and maintain the pooling that was authorized in the prior
22 order.

23 Q. Would you refer to what has been marked for
24 identification as Nearburg Exhibit No. 1 and review this for
25 the Examiner.

1 A. Yes. Exhibit No. 1 shows in yellow outlined in red
2 the proration unit which we seek with this hearing with the
3 well location indicated by the red dot. Outlined in pink is
4 the proration unit and pooling approved by the prior order.

5 Q. What is the primary objective in the proposed well?

6 A. Strawn formation.

7 Q. What is the status of that well?

8 A. That well is currently drilling.

9 Q. Could you explain to Mr. Stogner why you were
10 seeking to reorient this proration unit.

11 A. Yes. All of the Northwest Quarter of Section 17 is
12 a State lease with the exception of the 40 acres where the well
13 is located, being the Northeast Quarter Northwest Quarter. And
14 that is a fee tract of land. Incorporation of that tract into
15 the unit has not changed. What has changed is the 40 acres
16 under the State lease that is being incorporated into the unit.
17 We're altering the unit because of the well in the Southwest
18 Quarter Northeast Quarter which was drilled by BTA and
19 completed in-between the time of the prior order and this
20 date -- or the prior hearing and this date.

21 BTA made a well that potential flowing 543 barrels
22 of oil per day, and a significant amount of casing hit gas.
23 The provisions of the New Mexico State lease call for the
24 protection of correlative rights and the prevention of waste.
25 Without reorienting this proration unit we will not be able to

1 drill an offset well to BTA's well to protect the State lease.
2 We feel the maximum reserves will be recovered by reorienting
3 the unit. And if our well is successful then immediately
4 drilling an offset to BTA's well.

5 Q. If the Northwest Quarter of Section 17 is developed
6 with two laydown 80-acre units, can you drill two wells at
7 standard locations on that quarter section?

8 A. Yes, we can.

9 Q. Let's go to what has been marked as Exhibit No. 2
10 and I'd ask you to review that for the Examiner.

11 A. Exhibit No. 2 just is a summary of the ownership in
12 the north half Northwest Quarter. It has not changed in any
13 way from the ownership in the east half Northwest Quarter.
14 Nearburg owns 95.66 percent of the working interest after
15 various farm-outs and industry trades. Roy G. Barton, Jr.,
16 Trustee, has agreed to participate in our well and has agreed
17 to the changed proration unit. Mr. Shane Spier at Rebel Oil
18 Company has advised repeatedly that he wants to be force
19 pooled. His interest is too small to write agreements for.
20 Adolph Schweizer and Ann Fox we've been unable to locate. The
21 last records of their whereabouts were in 1938 for Ann Fox and
22 1948 for Adolph Schweizer. And that comprises 100 percent of
23 the unit.

24 Q. So in this application you were force pooling the
25 interest of Rebel Oil Company, Adolph Schweizer, and Ann Fox?

1 A. Yes.

2 Q. Those are the same interest owners and the same
3 percentage ownership -- holding the same percentage ownership
4 that were pooled in the original hearing?

5 A. Yes.

6 Q. Has an AFE been provided to Rebel Oil Company?

7 A. Yes, AFE and operating agreement.

8 Q. And you have advised Rebel of your desire to
9 reorient the spacing of proration unit?

10 A. Yes.

11 Q. And your efforts to obtain their voluntary joinder,
12 your letters to them are contained in the record of the
13 previous case which is incorporated into this proceeding?

14 A. Yes.

15 Q. You drilled other Pennsylvania wells in the area?

16 A. Yes.

17 Q. Would you identify what has been marked as Exhibit
18 No. 3.

19 A. Exhibit No. 3 is the Affidavit of Notice to all
20 interested parties in this case.

21 Q. And the only party to whom you can give notice is
22 Rebel Oil?

23 A. That's correct.

24 Q. The previous order contained a risk penalty. What
25 percentage risk penalty was contained in that order?

1 A. Cost plus 200 percent.

2 Q. And you recommend that that be incorporated into
3 this proceeding?

4 A. Yes.

5 Q. Would any of the testimony concerning risk have
6 changed between the April hearing and today?

7 A. No.

8 Q. Do you again recommend that Nearburg Producing
9 Company be designated operator of this well?

10 A. Yes.

11 Q. Do you have anything further to add to your
12 testimony?

13 A. No.

14 Q. Were Exhibits 1 through 3 prepared by you or
15 compiled under your direction?

16 A. Yes, they were.

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

19 HEARING EXAMINER: Exhibits 1 through 3 will be
20 admitted into evidence.

21 MR. CARR: That concludes my examination of
22 Mr. Nearburg.

23 MR. STOVALL: I have a question of Mr. Nearburg if I
24 might, Mr. Examiner.

25 HEARING EXAMINER: Mr. Stovall.

1 EXAMINATION

2 BY MR. STOVALL:

3 Q. What happens, Mr. Nearburg, if somebody comes and
4 drills a well somewhere in the east half of Section 18, east
5 half of the Northeast Quarter?

6 A. It would have to be I believe on an infill proration
7 unit, or a second well on an existing proration unit from the
8 No. 1 and 2 Pennzoil wells you see there.

9 Q. Those are currently producing wells in this pool; is
10 that correct?

11 A. Yes. Our information does not suggest that we would
12 drill in the west half of the Northwest Quarter.

13 Q. I guess my question -- I mean your rationale is that
14 you need to protect the State lease from potential drainage by
15 the well in the Northeast Quarter; is that correct?

16 A. And recover the maximum amount of reserves possible.

17 Q. In making that statement, and I am sorry, I don't
18 recall the testimony from the original case, but are you saying
19 that geologically speaking the east half of the northwest is
20 more advantageous than the west half of the northwest?

21 A. Well, we won't know until we have our first well
22 drilled. But you do have two dry holes already in the south
23 half Northwest Quarter to the Strawn formation.

24 Q. And then do I understand you correctly to say that
25 it is your opinion that the Northeast Quarter of Section 18 is

1 currently fully developed and therefore offsetting, the
2 necessity for potential need to offset is not a realistic
3 problem?

4 A. Yes. Mainly because of the Pennzoil dry hole in the
5 Strawn in the Southwest Quarter Northwest Quarter.

6 MR. STOVALL: Okay. I have no further questions on
7 that.

8 EXAMINATION

9 BY THE HEARING EXAMINER:

10 Q. Mr. Nearburg, do you plan to drill a well in the
11 south half of the Northwest Quarter?

12 A. Yes, we do, if our first well is productive.

13 Q. What is the status of that first well?

14 A. It's is drilling at approximately 8,000 feet.

15 Q. Do you know when it was spud?

16 A. Approximately three weeks ago.

17 Q. Three weeks ago. That would have been about the
18 middle of July.

19 A. Yes.

20 HEARING EXAMINER: Mr. Carr, maybe you can help me
21 here. There is a clause or a deadline of July 1st, Order No.
22 R-9168. Was that extended?

23 MR. CARR: Mr. Stogner, I don't know. I would have
24 to check.

25 THE WITNESS: Mr. Examiner, we were aware of that

1 date and I feel certain that we met that date. I'll get the
2 exact date for you.

3 HEARING EXAMINER: I believe our records should show
4 it here.

5 THE WITNESS: Okay.

6 MR. CARR: If you would like we would be glad to
7 check that and just confirm it for you, Mr. Stogner.

8 HEARING EXAMINER: It's going to be confirmed one
9 way or the other. This order, that spud day will show whether
10 this order is actually in effect or not. So are there any
11 other questions of this witness? If not you may be excused.

12 * * * * *

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17 I do hereby certify that the foregoing is
18 a correct record of the proceedings in
19 the examiner hearing of Case No. 10033,
heard by me on 8 August 1990.

20 Michael E. Stogner, Examiner
21 Oil Conservation Division
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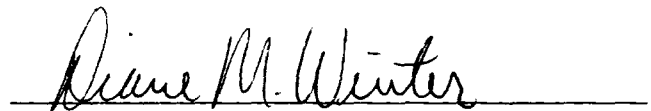
1 CERTIFICATE OF REPORTER

2
3 STATE OF NEW MEXICO)
4) ss.
5 COUNTY OF SANTA FE)

6 I, Diane M. Winter, Certified Shorthand Reporter and
7 Notary Public, HEREBY CERTIFY that the foregoing transcript of
8 proceedings before the Oil Conservation Division was reported
9 by me; that I caused my notes to be transcribed under my
10 personal supervision; and that the foregoing is a true and
11 accurate record of the proceedings.

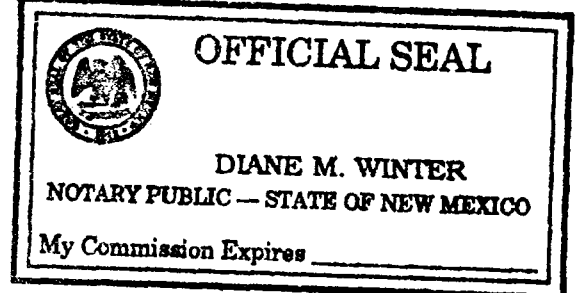
12 I FURTHER CERTIFY that I am not a relative or
13 employee of any of the parties or attorneys involved in this
14 matter and that I have no personal interest in the final
15 disposition of this matter.

16 WITNESS MY HAND AND SEAL August 20, 1990.

17
18 

19 DIANE M. WINTER
20 CSR No. 414

21 My commission expires: December 21, 1993
22



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

EXAMINER HEARING

IN THE MATTER OF:

Application of Nearburg Case 10033
Producing Company For
Amendment of Division Order
No. R-9168, Lea County, New Mexico

TRANSCRIPT OF PROCEEDINGS

BEFORE: MICHAEL E. STOGNER, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

September 5, 1990

ORIGINAL

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A P P E A R A N C E S

FOR THE DIVISION: ROBERT G. STOVALL
 Attorney at Law
 Legal Counsel to the Divison
 State Land Office Building
 Santa Fe, New Mexico

1 HEARING EXAMINER: Call the next case, No.
2 10,033.

3 MR. STOVALL: Application of Nearburg
4 Producing Company for amendment of Division Order No.
5 R-9168, Lea County, New Mexico.

6 HEARING EXAMINER: We're just going to call
7 for appearances at this time in this case. This will
8 be an amendment to an existing compulsory pooling
9 order that involves all parties in a northwest quarter
10 of Section 17, Township 16 South, Range 37 East, Lea
11 County, New Mexico.

12 Are there any appearances at this time?
13 There being none, this case will be taken under
14 advisement.

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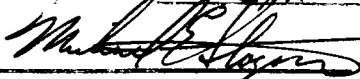
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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 10033,
heard by me on 5 Sep. 1990.


Examiner
Oil Conservation Division

1 CERTIFICATE OF REPORTER

2

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

5

6 I, Deborah O'Bine, Certified Shorthand
7 Reporter and Notary Public, HEREBY CERTIFY that the
8 foregoing transcript of proceedings before the Oil
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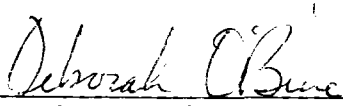
13 I FURTHER CERTIFY that I am not a relative
14 or employee of any of the parties or attorneys
15 involved in this matter and that I have no personal
16 interest in the final disposition of this matter.

17 WITNESS MY HAND AND SEAL September 14,
18 1989.

19

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21


DEBORAH O'BINE
CSR No. 127

22 My commission expires: August 10, 1990

23

24

25