

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

9 January 1986

EXAMINER HEARING

IN THE MATTER OF:

Application of Nearburg Producing
Company for an unorthodox well
location, Lea County, New Mexico.

CASE
8801

BEFORE: David R. Catanach, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Jeff Taylor
Legal Counsel to the Division
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State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

William F. Carr
Attorney at Law
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P. O. Box 2208
Santa Fe, New Mexico 87501

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I N D E X

LOUIS MAZZULLO

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E X H I B I T S

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MR. CATANACH: Call next Case
8801.

MR. TAYLOR: The application of
Nearburg Producing Company for an unorthodox well location,
Eddy County, New Mexico.

MR. CATANACH: Are there ap-
pearances in this case?

MR. CARR: May it please the
Examiner, my name is William F. Carr, with the law firm
Campbell and Black, P. A., appearing on behalf of Nearburg
Producing Company.

I have one witness.

MR. CATANACH: Are there other
appearances in this case?

Will the witness please stand
and be sworn?

(Witnss sworn.)

LOUIS MAZZULLO,
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?

A My name is Louis J. Mazzullo.

Q Mr. Mazzullo, where do you reside?

A Midland, Texas.

Q By whom are you employed?

A I am the Geological Manager for Nearburg Producing Company of Dallas out of our office in Midland.

Q Have you previously testified before the Division and had your credentials as a geologist accepted and made a matter of record?

A Yes, I have.

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

A Yes, I am.

Q And are you familiar with the subject area and the proposed well?

A Yes.

MR. CARR: Are the witness' qualifications acceptable?

MR. CATANACH: He is considered qualified.

Q Mr. Mazzullo, would you state what Nearburg is seeking with this application?

1 A Nearburg Producing Company, which orig-
2 inally has operated under the name of Chama Petroleum Com-
3 pany, weeks approval for an unorthodox Morrow gas well loca-
4 tion for their No. 1 Hot Tamale State.

5 Q Would you refer to what has been marked
6 for identification as Exhibit Number One, identify this for
7 Mr. Catanach, and review the information contained thereon.

8 A Exhibit One is a portion of a land plat
9 from Lea County, New Mexico.

10 It covers parts of Townships 20 South, 35
11 East and 21 South, 34 East.

12 It indicates Chama's -- or Nearburg Pro-
13 ducing Company's acreage position in the area outlined by
14 the bold, stippled line.

15 Q That's the 640 acres that is in Sections
16 27 and 34, is that correct?

17 A That's correct. It -- they comprise the
18 south half of Section 27, the north half of Section 34, of
19 Township 20 South, 35 East, Lea County.

20 Q What is the yellow shaded area?

21 A The yellow shaded area -- shaded area
22 presents a portion of the acreage consisting of the 320-
23 acre spacing unit for the Morrow gas well, which is indi-
24 cated by the red dot.

25 Q And you are seeking a laydown north half

1 unit?

2 A We are proposing to dedicate the north
3 half of Section 34 to this well.

4 Q When was the acreage north of the prora-
5 tion unit acquired by Nearburg Producing Company?

6 A The acreage in the south half of Section
7 27 was acquired from a -- from the Late Estate sale in
8 December of 1985.

9 Q Now would you refer to the subject well?

10 A The subject well is indicated by the red
11 dot and is located 660 feet from the north and east lines of
12 the section.

13 Q Could Nearburg have sought administrative
14 approval of this location?

15 A I don't believe so, because --

16 Q Was it originally drilled as a Morrow
17 well?

18 A It wasn't originally drilled as a Morrow
19 well. It was originally proposed as a Wolfcamp well at the
20 time that we proposed it.

21 Subsequent to proposing this as a Wolf-
22 camp well we filed for an amendment to deepen the re-entry
23 to the Morrow. This was on the 2nd of December, 1985.

24 Q And this well was drilled some time ago,
25 was it not?

1 A The well was originally drilled by Ralph
2 Lowe and it was named the No. 1 State "E", and it was orig-
3 inally intended by Ralph Lowe as a Strawn test. In the
4 course of drilling the well the operations were taken over
5 by Pennzoil, who changed the name to the Ralph Lowe State
6 No. 1, and they deepened, Pennzoil deepened it to the Mor-
7 row, where they tested it.

8 The well was abandoned in August of 1968.

9 Q And this well was at that time at an un-
10 orthodox location in the Morrow.

11 A It was originally drilled at an unortho-
12 dox location by Pennzoil.

13 Q And it therefore would not qualify for
14 administrative approval.

15 A To my understanding that's correct.

16 Q Does this plat also indicate the offset-
17 ting ownership?

18 A Yes. If we just look immediately around
19 the acreage position, of course, Nearburg Producing owns the
20 south half of Section 27 and the north half of Section 34.

21 We are surrounded by, to the west by
22 Phillips and Getty acreage, both of which do not have any
23 deep holes, dry or otherwise, located on them.

24 To the east we have acreage that is held
25 by production by HNG with two Morrow wells in Section 35.

1 And in Section 26 we have acreage which
2 is operated by Petro Lewis Corporation. There's a Wolfcamp
3 well in the south half of Section 26 and a Morrow well in
4 the north half of Section 26.

5 Q When did Nearburg acquire his interest in
6 the subject spacing unit?

7 A The subject spacing unit was acquired
8 separately as a farmout, as farmout acreage from Mobil Sup-
9 erior Corporation in October of 1985.

10 Q And when did the lease on that tract --
11 was it scheduled to expire?

12 A We have a commitment to drill a well no
13 later than November 30th, 1985.

14 Q And have you commenced your re-entry?

15 A We commenced the re-entry on November
16 30th, 1985.

17 Q And at that time to what horizon were you
18 projecting the well?

19 A We had projected the re-entry to the
20 Wolfcamp at that time on November 30th.

21 We amended the application on the 2nd of
22 December, 1985, the application which was approved by the
23 OCD District Office in Artesia -- in Hobbs, to re-enter the
24 Morrow well subject to an order issued by the Division aris-
25 ing from this hearing.

1 Q And, Mr. Mazzullo, what is the current
2 status of the Nearburg effort on this well?

3 A We are presently conducting a 4-point
4 test in the Morrow.

5 Q Do you have a gas contract?

6 A We don't have a gas contract. We are ne-
7 gotiating two pipeline companies for one.

8 Q In your opinion will approval of this ap-
9 plication be in the best interest of conservation, the pre-
10 vention of waste, and the protection of correlative rights?

11 A Approval of this application would afford
12 Nearburg Producing the opportunity to produce its just and
13 equitable share of gas in the West Osudo-Morrow Gas Pool, of
14 which this would be a part; will otherwise be in the best
15 interest of conservation, preservation (sic) of waste, and
16 protection of correlative rights.

17 Q Being able to re-enter this old wellbore,
18 will that effect economic savings for Nearburg Producing?

19 A Yes, it would.

20 Q And does that make the effort to attempt
21 to recomplete in this Morrow zone economically feasible for
22 Nearburg?

23 A Yes, it does.

24 Q Was Exhibit One prepared by you?

25 A It was prepared under my supervision.

1 MR. CARR: At this time, Mr.
2 Catanach, we'll offer into evidence Nearburg Exhibit Number
3 One.

4 MR. CATANACH: Exhibit Number
5 One will be admitted into evidence.

6 MR. CARR: That concludes our
7 direct presentation in this matter.

8

9

CROSS EXAMINATION

10 BY MR. CATANACH:

11 Q Just a couple of questions.

12 Mr. Mazzullo, the well was originally
13 drilled as a Woflcamp well, is that correct?

14 A By Nearburg Producing it was originally
15 re-entered.

16 Q No, originally drilled.

17 A Oh, it was originally drilled by Ralph
18 Lowe as a Strawn test and then taken over by Pennzoil as a
19 Morrow test.

20 Q And Ralph Lowe never applied for an unor-
21 thodox lcoation approval from the Division for a Strawn
22 test?

23 A Not to my knowledge. Maybe he did. I'm
24 not sure.

25 Q You said that Pennzoil drilled to the

1 Morrow and did they try to complete in the Morrow?

2 A Yes. They ran, I believe, two drill stem
3 tests in the Morrow, and then one of which had a significant
4 recovery of gas and condensate but for whatever reason they
5 elected not to complete.

6 Q Do you have any information about the --
7 your attempts at completing the well as of this point?

8 A Yes.

9 Q Is it a commercial well?

10 A It appears as if it is going to be a com-
11 mercial well.

12 MR. CARR: That was based on
13 your 4-point test.

14 A Based on the 4-point test so far as we
15 know right now. We haven't completed the 4-point test.

16 Q Mr. Mazzullo, is HNG aware of your appli-
17 cation here today?

18 A HNG regularly has -- regularly has repre-
19 sentatives out on location, looking after their well.

20 We have also, in acquiring the acreage
21 in the south half of 27, we were in a competitive situation
22 with several operators in the area. I'm not sure whether
23 HNG was one of them. I have no way of knowing, but we're --
24 the offset operators are certainly aware of our existence
25 out there.

1 Q Okay, so, Mr. Mazzullo, you're not aware
2 of any objections by HNG as to your re-entry of the well?

3 A No, I'm not, I'm not aware.

4 MR. CATANACH: I have no fur-
5 ther questions of the witness.

6 MR. CARR: We have nothing fur-
7 ther in this matter.

8 MR. CATANACH: Are there any
9 other questions?

10 If not, he may be excused.

11 MR. CARR: Mr. Catanach, the
12 only thing we would ask is that the order be expedited as
13 much as possible. We're hopeful we can commence sales from
14 the well within a month.

15 MR. CATANACH: We'll do our
16 best, Mr. Carr.

17 Case 8801 will be taken under
18 advisement.

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(Hearing concluded.)

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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 (Commission) 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. 8801
heard by me on Jan 8 1986

David R. Catmon, Examiner
Oil Conservation Division