

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

17 February 1988

EXAMINER HEARING

IN THE MATTER OF:

Application of Nearburg Producing Com- CASE
pany for an unorthodox oil well loca- 9312
tion and a nonstandard oil proration
unit, Lea County, New Mexico.

BEFORE: David R. Catanach, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division:

For the Applicant:

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MR. CATANACH: Call Case 9312,
the application of Nearburg Producing Company for an unorthodox oil well location and a nonstandard oil proration unit, Lea County, New Mexico.

Are there appearances in this case?

MR. CARR: May it please the Examiner, my name is William F. Carr with the law firm Campbell & Black, P. A., of Santa Fe. We represent Nearburg Producing Company. I have two witnesses and I would request that the record reflect that they have already been sworn and remain under oath.

MR. CATANACH: The record will reflect that, Mr. Carr.

MR. CARR: At this time I would call Mr. Nearburg.

MARK NEARBURG,
being called as a witness, having been previously sworn and remaining under oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. CARR:

Q Will you state your full name and place

1 of residence, please?

2 A I'm Mark Nearburg, Dallas, Texas.

3 Q By whom are you employed and in what cap-
4 acity?

5 A Nearburg Producing Company, Vice Presi-
6 dent, Land Manager.

7 Q Have you previously testified before this
8 Division and had your credentials as a landman accepted and
9 made a matter of record?

10 A Yes.

11 Q Are you familiar with the application
12 filed in this case?

13 A Yes.

14 Q Have you made a study of the subject
15 area?

16 A Yes.

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

19 MR. CATANACH: They are.

20 Q Mr. Nearburg, will you briefly state what
21 is being sought by this application?

22 A Nearburg seeks approval of the unorthodox
23 oil well location and nonstandard oil proration unit in Sec-
24 tion 19, Township 16 South, Range 37 East, for a Strawn test
25 well.

1 Q And what pool will this well be drilled
2 to?

3 A This will be drilled in the Northeast
4 Lovington Pennsylvanian Pool.

5 Q Are there special pool rules in effect
6 for this pool?

7 A Yes, 80-acre proration units and wells to
8 be located within 150 feet of the center of a quarter quar-
9 ter section.

10 Q Have you prepared certain exhibits for
11 introduction in this case?

12 A Yes.

13 Q Would you refer to what has been marked
14 as Nearburg Exhibit Number One, identify that and review
15 the information thereon for Mr. Catanach?

16 A This is Nearburg's C-101 and 102 submit-
17 ted to the Hobbs NMOCD office.

18 The application has been made subject to
19 the order resulting from this hearing.

20 Q Has been approved subject --

21 A Has been approved subject to that.

22 Q Would you refer to the second page of
23 this exhibit?

24 A This is our C-102 plat showing the well
25 location and the cross hatched area representing the non-

1 standard proration unit.

2 Q What is the size of this nonstandard
3 unit?

4 A The north/south direction is 13 --
5 1,322.3 feet. The east/west direction is 1,659.9 feet.

6 Q And how many acres do you propose to de-
7 dicate to the well?

8 A 50.35 acres, which is Lot 4.

9 Q Would you refer to what has been marked
10 for identification as Exhibit Number Two, a plat, identify
11 this and review the information on that plat for Mr. Cata-
12 nach?

13 A This is a land map of the general area.
14 Our proration unit is indicated in yellow and the test well
15 location is indicated by the red dot. This map shows off-
16 setting ownership and additionally outlined in orange are
17 two nonstandard proration units previously drilled by Getty
18 Oil to the Strawn formation.

19 Q Would you review the offsetting owners to
20 the proposed --

21 A Yes.

22 Q -- unorthodox well location?

23 A Yes. In the southeast quarter southwest
24 quarter Nearburg controls 62 percent working interest.

25 In the north half northwest quarter of

1 Section 30 Tenneco owns the northwest northwest quarter.
2 Nearburg has a farmout from Tenneco covering the northeast
3 quarter northwest quarter.

4 In Section 25, Township 16 South, Range
5 36 East, Cities Service -- should I go through that even
6 though it's not --

7 Q Yes.

8 A Okay, Cities Service owns the northeast
9 quarter northeast quarter.

10 The south half, or the southeast quarter
11 southeast quarter, Section 24, 16 South, 36 East, is con-
12 trolled by Nearburg under farmout from Yates Petroleum, et
13 al.

14 The 40 or the 50.4 acres due north of our
15 proration unit, which is Lot 3 of the subject Section 19, is
16 owned by Cities Service who has waived all objection to our
17 location.

18 The acreage in the northeast quarter,
19 southwest quarter of Section 19 is owned by Nearburg.

20 Q Now you've indicated that the two prora-
21 tion units outlined in orange are Getty proration units. Do
22 you know the number of acres dedicated to those two wells?

23 A Yes. The acreage in Lot 2, which is the
24 southwest quarter northwest quarter is a 50.4 net acres ap-
25 proximately, gross net.

1 The location in the northeast quarter
2 northwest quarter is a standard -- is a nonstandard 40-acre
3 unit.

4 Q Would you now go to what has been marked
5 for identification as Nearburg Exhibit Number Three and
6 identify that, please?

7 A Yes. This is a copy of Form C-101 and
8 102 from Southwest Production Corporation covering a well
9 originally drilled in the northeast quarter southwest
10 quarter of Section 19, which produced from the Strawn
11 formation to abandonment approximately 160,000 barrels of
12 oil.

13 Q And what acreage is dedicated to that
14 well?

15 A The purpose of this exhibit is to show
16 that the east half southwest quarter was included in that
17 proration unit and it is our position that by virtue of the
18 production from this well the southeast southwest quarter
19 has suffered significant drainage.

20 Q Will you present engineer -- geological
21 testimony in support of that premise?

22 A Yes.

23 Q Now would you move to what has been marked
24 as Nearburg Exhibit Number Four and review this for Mr. Cat-
25 anach?

1 A Yes. Because of the oversized lot we
2 thought it would be helpful to mark out the exact footages
3 and how far we were nonstandard.

4 The green X is the test well location.
5 We are actually only 20 feet nonstandard on an east/west
6 axis.

7 Q And how much nonstandard are you on the
8 north/south axis?

9 A And on the north/south we are 189 feet
10 nonstandard.

11 So, really, the nonstandard movement is
12 to the north where Cities has waived an objection.

13 Q And to the northeast that is acreage own-
14 ed by Nearburg --

15 A Yes.

16 Q -- is that correct? Would you identify
17 Nearburg Exhibit Number Five, please?

18 A Yes. I'd like to make one other comment
19 about Exhibit Number Four.

20 Q All right.

21 A I'd like to point out that even with our
22 nonstandard location we're still 659.9 feet from the east
23 line of that Lot 4, which is more than the standard setback
24 required from a easeline.

25 Q So again that shows that your encroach-

1 ment is to the north.

2 A Yes.

3 Q Would you identify Exhibit Number Five?

4 A This is the waiver from Cities Service to
5 our nonstandard proration unit and unorthodox location.

6 Q Would you now go to Exhibit Number Six
7 and identify that, please?

8 A These are the letters mailed to offset
9 operators and owners noticing the hearing.

10 Q And this includes the interest owners in
11 the southwest quarter --

12 A It includes owners in the southeast
13 quarter southwest quarter.

14 Q It also includes the owners in the
15 southwest quarter of Section 19.

16 A Yes.

17 Q Okay. Do you have anything further to
18 add to your testimony?

19 A No.

20 Q Were Exhibits One through Six prepared by
21 you or compiled under your direction and supervision?

22 A Yes.

23 MR. CARR: At this time, Mr.
24 Catanach, we would move the admission of Nearburg Exhibits
25 One through Six.

1 MR. CATANACH: Exhibits One
2 through Six will be admitted into evidence.

3
4 CROSS EXAMINATION

5 BY MR. CATANACH:

6 Q Mr. Nearburg, the well drilled by South-
7 western or Southwest Production Company --

8 A Yes.

9 Q That was in the northeast quarter of the
10 southwest quarter?

11 A Yes.

12 Q And that had dedicated to it the east
13 half of the southwest quarter?

14 A Yes, which included the southeast quarter
15 southwest quarter.

16 Q And that -- is that well plugged now?

17 A That well has been plugged and abandoned.
18 The prior leases are no longer committed to that well and,
19 as I stated, Nearburg owns approximately 62 percent working
20 interest or controls 62 percent working interest in the
21 southeast quarter southwest quarter.

22 The acreage underlying the drill site for
23 this Monteith Well is owned 100 percent by Nearburg at this
24 time.

25 Q Let's see, is your geologist going to

1 testify to the reason for the unorthodox location?

2 A Yes.

3 MR. CATANACH: I don't have any
4 more questions at this time.

5 MR. CARR: At this time we call
6 Louis Mazzullo.

7
8 LOUIS MAZZULLO,
9 being called as a witness and having been duly sworn and re-
10 maining under oath, testified as follows, to-wit:

11

12 DIRECT EXAMINATION

13 BY MR. CARR:

14 Q Would you state your full name for the
15 record, please?

16 A My name is Louis Mazzullo.

17 Q Mr. Mazzullo, by whom are you employed?

18 A I'm employed -- I'm a geological consul-
19 tant on retainer to Nearburg Producing Company.

20 Q Are you familiar with the application
21 filed in this case and the subject area?

22 A I am.

23 Q Have your credentials as a geologist been
24 presented to the Division, accepted, and made a matter of
25 record?

1 A They have.

2 MR. CARR: Are the witness'
3 qualifications acceptable?

4 MR. CATANACH: They are.

5 Q Mr. Mazzullo, in the proposed well, how
6 important is structure in determining whether or not the
7 well in fact will be a success?

8 A Structure is important in order to gain
9 structural advantage onto flank wells in the individual
10 patch reefs that constitute the reservoir in this particular
11 area.

12 Q Would you refer to what has been marked
13 as Nearburg Exhibit Number Seven, identify that, and review
14 it for Mr. Catanach?

15 A Exhibit Number Seven is a structure map
16 that's drawn on top of the Strawn limestone, the Strawn
17 being the reservoir interval in this area.

18 The regional dip shown by the contours is
19 to the northeast in this area on the Strawn.

20 The shaded areas refer to fairways; that
21 is, areas that are potentially productive from the Strawn.
22 All the solid black circles are in fact Strawn wells.

23 The continuity of these -- of these
24 shaded areas does not imply that this is all one big reser-
25 voir because, as you probably know from other testimony from

1 this area, the Strawn is in fact comprised of a series of
2 separate and distinct smaller patch reefs, so, for example,
3 this long -- elongated, shaded area shown on the map passing
4 through our proposed location is probably comprised of at
5 least three or four separate Strawn reservoirs.

6 Q Was this location based on your recommen-
7 dation?

8 A Yes. It was based on the recommendation
9 that we would want to get up dip of the production which was
10 established in the Monteith Well in the northeast of the
11 southwest of this section. We wanted to get far enough up
12 dip of that well to pick up a better structural and probably
13 porosity advantage over that well.

14 Q In essence what you're saying is, is it
15 not, that you're trying to balance two competing factors.
16 You're trying to get up structure and yet stay as close to
17 the offsetting well as possible?

18 A Yes, and the reason for this is because
19 the individual patch reefs in the Strawn are very small in
20 areal extent and as we know from experience and as you've
21 probably heard time and again from this area, it doesn't
22 take very much -- you can get a couple of 100 feet away from
23 a productive well and be totally out of the productive
24 facies in the Strawn.

25 So we want to get -- we want to gain a

1 structural advantage on that well which we think is pro-
2 ducing from the same zone we're going to hit at the location
3 but we don't want to get too far away from it.

4 Q In your opinion could the well be drilled
5 at the standard location?

6 A The standard location? Yes, it could be,
7 certainly could be.

8 Q And what would the effect of that be?

9 A The effect of that is you're increasing
10 your risk of drilling a dry hole the further you get away
11 from the established production.

12 Q Would you refer to what's been marked for
13 identification as Nearburg Exhibit Number Eight, identify
14 that, and review it for Mr. Catanach?

15 A Okay. Exhibit Number Eight is a line of
16 cross section which is indexed on Exhibit Seven by the red
17 line and it runs from the northwest to the southeast and
18 through the proposed location.

19 So it starts off in Section 13 to the
20 northwest, proceeds into the northwest quarter of Section
21 19, which is the subject section, to the southwest quarter
22 and that productive Monteith Well, and then through our
23 proposed location and then down dip into a dry -- into a
24 non-Strawn productive well in the southeast, and then into
25 another productive Strawn well in the next section.

1 What this is showing is the latter -- the
2 verticxal displacement of the various zones that pay from
3 the Strawn in the area. For example, to the north the pro-
4 ducing zone in the wells to the north is actually strati-
5 graphically lower than the producing zone in the well that
6 immediately offsets our proposed location. So what we're
7 assuming here is that by gaining structural advantage in
8 this area and structure not only -- in this area structure
9 not only is a regional structure but it also reflects what
10 may be building up in the Strawn immediately below. We gain
11 -- we hope to gain not only structural advantage but we also
12 aim -- intend to gain stratigraphic advantage by intersec-
13 ting a thicker section of the zone that pays from the Mon-
14 teith well.

15 And then as you go towards the east you
16 get out of it right away. You drop off into the southeast
17 quarter where the well is not productive from the Strawn,
18 the Strawn is tight.

19 And then when you get into the next sec-
20 tion you're producing from the Strawn but -- but again from
21 a zone that's stratigraphically lower than what we propose
22 to intercept at our location.

23 Q Mr. Mazzullo, do you believe that produc-
24 tion from the subject well should be restricted or penalized
25 due to its unorthodox location?

1 A No, I don't.

2 Q Other than as provided by the rules due
3 to the nonstandard unit.

4 A Yes. yes.

5 Q What is the status of the current well?

6 A The well is currently drilling and it
7 should be at approximately 5000 foot depth this morning.

8 Q And you advised the District Office of
9 the Oil Commission of your plans and they are aware that the
10 well is being drilled.

11 A Yes, they are.

12 Q Do you believe that granting the applica-
13 tion will be in the best interest of conservation, the pre-
14 vention of waste, and the protection of correlative rights?

15 A Yes.

16 Q Were Exhibits Seven and Eight prepared by
17 you?

18 A They were.

19 MR. CARR: At this time, Mr.
20 Catanach, we would move the admission of Nearburg Exhibits
21 Seven and Eight.

22 MR. CATANACH: Exhibits Seven
23 and Eight will be admitted into evidence.

24 Q Mr. Mazzullo, does Nearburg request that
25 this order be expedited?

1 A Yes, they do.

2 Q That concludes my direct examination of
3 Mr. Mazzullo. I have no more questions of Mr. Mazzullo.

4
5 CROSS EXAMINATION

6 BY MR. CATANACH:

7 Q Are these the same type of algal mound
8 structures that are found in some of the other Strawn Pools
9 in this area?

10 A Yes, they are.

11 Q And you believe that you'll be producing
12 out of the same mound that the Monteith well is producing?

13 A That's what I'm hoping, yes.

14 MR. CATANACH: I have no fur-
15 ther questions of the witness.

16 MR. CARR: And, Mr. Mazzullo,
17 the Monteith well is no longer producing, is it?

18 A Yeah, it produced to abandonment, to
19 abandonment. It's made -- what did we finally -- 140,000,
20 140,000 barrels of oil before it was abandoned.

21 MR. CARR: I have nothing fur-
22 ther.

23 MR. CATANACH: There being no-
24 thing further in Case 9312 it will be taken under advise-
25 ment.

(Hearing concluded.)

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. 9312,
heard by me on February 17, 1988.

David R. Caban Examiner
Oil Conservation Division