

1 STATE OF NEW MEXICO  
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
3 OIL CONSERVATION COMMISSION  
4 STATE LAND OFFICE BUILDING  
5 SANTA FE, NEW MEXICO

6 8 June 1988

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Nearburg Producing Company for an unorthodox gas well location, Eddy County, New Mexico. CASE 9405

10  
11  
12 BEFORE: David R. Catanach, Examiner

13  
14 A P P E A R A N C E S

15  
16 For the Division: Robert G. Stovall  
17 Attorney at Law  
18 Legal Counsel to the Division  
19 State Land Office Bldg.  
20 Santa Fe, New Mexico

21 For the Applicant: William F. Carr  
22 Attorney at Law  
23 CAMPBELL and BLACK, P.A.  
24 P.O. Box 2208  
25 Santa Fe, New Mexico 87501

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

I N D E X

MARK NEARBURG

Direct Examination by Mr. Carr 4

Cross Examination by Mr. Catanach 6

LOUIS J. MAZZULLO

Direct Examination by Mr. Carr 9

Cross Examination by Mr. Catanach 12

Cross Examination by Mr. Stovall 14

E X H I B I T S

Nearburg Exhibit One, Land Map 4

Nearburg Exhibit Two, C-101 and C-102 5

Nearburg Exhibit Three, Notices and Returns 5

Nearburg Exhibit Four, Map 9

1 MR. CATANACH: Call next Case  
2 9405.

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

6 MR. CARR: May it please the  
7 Examiner, my name is William F. Carr with the law firm  
8 Campbell & Black, P. A., of Santa Fe. We represent  
9 Nearburg Producing Company.

10 I have two witnesses in this  
11 case. They're Mark Nearburg and Louis Mazzullo, and I  
12 request that the record reflect that they've previously  
13 been qualified and remain under oath.

14 MR. CATANACH: The record  
15 shall reflect that. Mr. Carr. You may proceed.

16  
17 MARK NEARBURG,  
18 having been previously sworn upon his oath and remaining  
19 under oath, testified as follows, to-wit:

20  
21 DIRECT EXAMINATION

22 BY MR. CARR:

23 Q Mr. Nearburg, are you familiar with the  
24 application filed in this case and the Boyd State No. 1  
25 Well?

1           A           Yes.

2           Q           Would you briefly state what Nearburg  
3 seeks with this application?

4           A           Nearburg seeks approval of an unortho-  
5 dox gas well location to test the Morrow formation 1200  
6 feet from the south line and 750 feet from the west line of  
7 Section 26, to test the Morrow formation.

8           Q           And in what pool will this well be  
9 completed?

10          A           This well will be in the Undesignated  
11 Cemetery Morrow Gas Pool and it may be, depending on the  
12 Commission's review, put in the Boyd Morrow Gas Pool.

13          Q           Are both of these pools on 320-acre  
14 spacing and proration units?

15          A           Yes.

16          Q           And are the well location requirements  
17 in those 1980 from an end line and 660 from a side line?

18          A           Yes.

19          Q           Will you refer to what has been identi-  
20 fied as Nearburg Exhibit Number One and review that,  
21 please?

22          A           Yes. This is a land map showing the  
23 proposed proration unit in yellow and the test well loca-  
24 tion with the red dot.

25          Q           What -- and the primary producing

1 interval is the Morrow formation?

2 A Yes.

3 Q You are encroaching on acreage to the --  
4 to the west and to the southwest, is that right?

5 A Yes.

6 Q Has notice been given to the interest  
7 owners to the west and southwest; also to the south as  
8 required by Oil Conservation Division Rule 1207?

9 A Yes.

10 Q Is a copy of that notice included as  
11 Exhibit Number Three in the exhibits which you have pre-  
12 sented to Mr. Catanach?

13 A Yes.

14 Q Would you also identify Exhibit Number  
15 Two in this packet of information?

16 A Exhibit Number Two is the Form C-101 and  
17 102, application made to the Commission to drill the well.

18 On the application we designated the  
19 well as a wildcat.

20 Q Mr. Nearburg, were Exhibits One through  
21 Three prepared by you or compiled under your direction and  
22 supervision?

23 A Yes.

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

1 One through Three.

2 MR. CATANACH: Exhibits One  
3 through Three will be admitted into evidence.

4 MR. CARR: That concludes my  
5 direct of Mr. Nearburg.

6  
7 CROSS EXAMINATION

8 BY MR. CATANACH:

9 Q Mr. Nearburg, who is the interest owner  
10 in Section 27?

11 A That was previously Coquina; however, in  
12 the first part of this year they sold that acreage to the  
13 American National Petroleum Corporation, which -- or Ameri-  
14 can National Petroleum Company. They also use the name  
15 OXOCO, O-X-O-C-O.

16 Q What -- what is the extent of their  
17 acreage ownership in this area?

18 A On Section 27 they own the southeast  
19 quarter. Nearburg owns all other acreage in Section 27.

20 They also own the north half of Section  
21 20 -- north half of Section 34.

22 Nearburg operates the north -- all of  
23 Section 35.

24 Q Have you been in contact with American  
25 National Petroleum?

1           A           Yes, since December of 1987.

2           Q           Are you aware of an objection that they  
3 have sent to the Division --

4           A           Yes.

5           Q           -- in this case?

6           A           I was not copied with that. I was not  
7 aware they'd made objection in this hearing. I was aware  
8 that they were concerned but not that an objection had been  
9 made.

10          Q           For the record, I have a letter here  
11 dated June 3rd, 1988, from American National Petroleum  
12 Company, who by letter does make a formal protest of your  
13 application on the basis of drainage to acreage in Section  
14 27.

15                       In the letter they further request that  
16 a continuance be made on the hearing set for today until  
17 all parties concerned have had time to evaluate geological  
18 and engineering data from the well to determine the extent  
19 of drainage, and at that time ascertain any appropriate  
20 drainage penalty against Nearburg.

21                       Apparently we have nobody here today  
22 from American National Petroleum Company and I'm not going  
23 to grant the continuance of this case, but by virtue of  
24 this letter I guess they have entered an appearance and may  
25 reopen the case if they desire to do it in the future.

1 MR. CARR: Who signed that  
2 letter, may I inquire?

3 MR. CATANACH: It was signed  
4 by Mr. Steven Miner.

5 MR. CARR: Well, without  
6 conceding anything we would need to know who Mr. Miner is  
7 to see if in fact they have entered an appearance in the  
8 case, and we appreciate that they have expressed concern;  
9 they have been working on this prospect since December 14,  
10 1987, with the Nearburgs and we, you know, note that they  
11 would like action deferred until the well is completed and  
12 they can then determine whether or not there's been drain-  
13 age.

14 We do want to go forward with  
15 the property, however.

16 MR. CATANACH: Okay, I have no  
17 further questions for Mr. Nearburg.

18 MR. CARR: I'd now call Mr.  
19 Mazzullo.

20  
21 LOUIS J. MAZZULLO

22  
23 having been previously sworn upon his oath, and remaining  
24 under oath, testified as follows, to-wit:  
25

1 BY MR. CARR:

2 Q Mr. Nearburg -- Mr. Mazzullo, are you  
3 familiar with the application filed in this case?

4 A Yes, I am.

5 Q Will you refer to what has been marked  
6 Nearburg Exhibit Number Four, a structure map, and review  
7 -- or an isopachous map, and review that with Mr.  
8 Catanach, please?

9 A Exhibit Number Four is a map showing the  
10 net thickness of sandstone in what I consider to be the  
11 primary potential, the Morrow pay unit in the proposed  
12 location.

13 Now the Morrow in this area is made up  
14 of over 200 feet of sandstone but it is the 50-foot inter-  
15 val that I have mapped here as Unit 1-A at the top of the  
16 Morrow Clastic section, which I feel offers the primary  
17 Morrow potential on -- in the Boyd State No. 26-1.

18 The map shows the thicknesses of sand --  
19 the thickness of sandstone in Unit 1-A, Morrow Unit 2-A,  
20 which meets my minimum cutoff criteria for what I consider  
21 to be productive sand in this area; that is, it must show  
22 less than 50 API gamma and it must show 8 percent -- it  
23 must show 10 feet or more of 8 percent porosity to be what  
24 I consider to be economically productive in this area.

25 The stippled patterns on the map refer

1 to areas of expected or proven porosity development in  
2 these -- in this unit, which meets the porosity cutoff of  
3 10 feet of 8 percent or better.

4           The regional dip on the Morrow, on the  
5 top of the Morrow Clastics in this area, is east/southeast,  
6 as indicated by a little dip symbol in the east half of  
7 Section 26.

8           Unit 1-A, which is at the top of the  
9 Clastics Section, is a south trending fluvial sandstone  
10 whose trend through the proposed location is based not only  
11 on the well control you see on this map but also on con-  
12 trol over a wider area that I've mapped. I've mapped a  
13 larger area than this, to come up with these trends.

14           But because of the control and the  
15 thicknesses of the sands in the immediately surrounding  
16 control, the trend of this sandstone unit through the  
17 proposed location is, of course, highly speculative.

18           It's based on a lot of experience. It's  
19 based on regional mapping, but it's an extremely risky  
20 location. Its potential -- as is its potential for poro-  
21 sity development. You don't always get good porosity just  
22 because you have thick sand in the Morrow.

23           All the net porosity that you see indi-  
24 cated by the stippled patterns, or inferred by the stippled  
25 patterns, is not necessarily gas filled, either, as there

1 is water associated with some of these pay sands locally  
2 and the idea here is to try to stay as far up-dip on any  
3 one of these productive porosity trends so as to limit your  
4 exposure to the water leg in these sandstone reservoirs.

5           So we want to stay as far up-dip as  
6 possible to maximize chances for structural position re-  
7 lative to any possible gas or water contact, and I feel  
8 that by being closer to the west section line we will be  
9 doing just that.

10           As you can see, the section -- this  
11 particular pay unit, I do not have it mapped to any great  
12 extent in Section 27. As a matter of fact, if there's any  
13 of the sand present in Section 27, because it's on the  
14 margin of this particular unit, I wouldn't expect it to  
15 develop enough productive porosity to be economic.

16           Q           Mr. Mazzullo, were there any surface  
17 considerations in picking this particular location?

18           A           Yes. As it's my understanding that we  
19 can't go any further east at this particular location, in  
20 this particular area, because of a -- of an arroyo, or a  
21 ephemeral stream bed that's present through here.

22           Q           In your opinion is this the best  
23 location to test and develop the hydrocarbons if any are in  
24 fact there under the south half of 26?

25           A           Yes.

1 Q In your opinion is this the best  
2 location to test and develop the hydrocarbons if any are in  
3 fact there under the south half of 26?

4 A Yes.

5 Q Was Exhibit Number Four prepared by  
6 you?

7 A Yes.

8 Q In your opinion will granting this  
9 application be in the best interest of conservation, the  
10 prevention of waste, and the protection of correlative  
11 rights?

12 A Yes.

13 MR. CARR: At this time we  
14 would offer into evidence Nearburg Exhibit Number Four.

15 MR. CATANACH: Exhibit Number  
16 Four will be admitted as evidence.

17 MR. CARR: That concludes my  
18 direct of Mr. Mazzullo.

19

20

CROSS EXAMINATION

21

BY MR. CATANACH:

22

Q Mr. Mazzullo, the way you have your net  
23 porosity area defined looks like the west half of that  
24 section would be the major producing area, is that -- that  
25 your opinion?

1           A           On this particular interval, yes.  
2 There are four other mappable units that I've mapped  
3 through this area which do not show the potential here that  
4 Unit 1-A does.

5           Q           Do you think there's productive acreage  
6 in the southeast quarter of the section?

7           A           Offhand I don't remember what my other  
8 maps show me but perhaps there is in another unit.

9                       This -- this only represents 50 feet of  
10 225 feet of Morrow reservoir section.

11          Q           Do you know why a south half dedication  
12 was proposed for this well?

13          A           No, I'd have to defer to Mr. Nearburg  
14 for that.

15                       MR. CATANACH: Mr. Nearburg,  
16 can you answer that?

17                       MR. NEARBURG: It's such a  
18 wildcat well you have to make your best shot on where the  
19 development is going to be the best.

20

21

CROSS EXAMINATION

22

BY MR. STOVALL:

23

Q           Has this well been spudded yet?

24

A           Yes, it has been.

25

Q           Is it currently drilling or completed?

1           A           No, it's currently drilling just below  
2 the last I heard, 5500 feet.

3           Q           And you did so, knowing you were going  
4 to the Morrow and knowing it was unorthodox, without an  
5 approval, is that correct?

6           A           Yeah.

7           Q           Did you anticipate there would be any  
8 production penalty of any sort for the -- for the location?

9           A           It's my understanding that when we  
10 started the well, that we had some kind of an agreement  
11 with offset operators, at least, not in writing but at  
12 least verbally. There was no objection at the time, so we  
13 started the well, and I think there were other considera-  
14 tions that I'm not too sure about. Mr. Nearburg might,  
15 might be.

16                           MR. STOVALL: Is there any-  
17 thing you'd like to add, Mr. Nearburg, to clarify while  
18 it's under consideration?

19                           MR. NEARBURG: I'm completely  
20 surprised by APNC's objection, and we can go into that if  
21 they oppose it, (inaudible).

22                           MR. STOVALL: Do they have a  
23 well in the offset acreage?

24                           MR. NEARBURG: They have the  
25 right to drill a well there.

1 MR. STOVALL: Yeah, I under-  
2 stand that. They don't actually have a well on --

3 MR. NEARBURG: No. As far as  
4 I know they're not active in southeast New Mexico.

5 MR. CATANACH: Anything fur-  
6 ther in this case?

7 MR. CARR: Nothing further.

8 MR. CATANACH: All right, Case  
9 9405 will be taken under advisement.

10  
11 (Hearing concluded.)  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

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. 945, heard by me on June 1 1944.

David R. Stewart, Examiner  
Oil Conservation Division