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MR. STOGNER: We'll call next
Case Number 8847.

MR. TAYLOR: The application of
Nearburg Producing Company for downhole commingling, Eddy
County, New Mexico.

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

I have one witness.

MR STOGNER: Are there any
other appearances?

There being none, will the wit-
ness please stand to be sworn.

(Witness sworn.)

MR. CARR: Mr. Examiner, when I
called the case in I gave you the correct information and
the legal advertisement of the case is correct.

I then gave notice pursuant to
Rule 1207 and I have an error in the notice that I gave to
interest owners. I provided notice originally indicating it
was in Section 5 instead of Section 15.

1 We discovered it when Mr. Yates
2 called and asked what we were doing to take over his Green-
3 wood Lease and at that time we agreed to send new notice.

4 Since we were coming before you
5 today on the other case, we would like to put the testimony
6 on today in this matter, continue the case to March 19th,
7 and at that time we will have complied with Rule 1207.

8 MR. STOGNER: Okay, Mr. Carr,
9 so the notice that we received was correct.

10 MR. CARR: Yes.

11 MR. STOGNER: So that makes our
12 docket and the advertisement in the papers correct.

13 MR. CARR: That's correct. It
14 was an error that I made in giving notice to other interest
15 owners pursuant to Rule 1207.

16 MR. STOGNER: Have those cor-
17 rected --

18 MR. CARR: Yes. We will offer
19 letters dated February 24. These were letters correcting
20 the notice that we had given about two weeks prior to that
21 time.

22 MR. STOGNER: Okay. Thank you,
23 Mr. Carr. We'll go ahead and hear the testimony today but
24 will hold this case until March 19th at which time we will
25 call for any additional appearances at that time.

1 Please continue.

2
3 LOUIS J. MAZZULLO,

4 being called as a witness and being duly sworn upon his
5 oath, testified as follows, to-wit:

6
7 DIRECT EXAMINATION

8 BY MR. CARR:

9 Q Would you state your full name, please?

10 A My name is Louis J. Mazzullo.

11 Q Mr. Mazzullo, where do you reside?

12 A Midland, Texas.

13 Q By whom are you employed?

14 A I'm Geological Manager for Nearburg Pro-
15 ducing Company of Dallas, out of our Midland Office.

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

19 A I have.

20 Q Are you familiar with the application of
21 Nearburg Producing Company in this case?

22 A I am.

23 Q Are you familiar with the subject well?

24 A Yes, I am.

25 MR. CARR: Are the witness'

1 qualifications acceptable?

2 MR. STOGNER: They are.

3 Q Mr. Mazzullo, what does Nearburg Produc-
4 ing Company seek with this application?

5 A Nearburg Producing Company seeks approval
6 for downhole commingling of gas production from both the
7 Atoka and Morrow formations in their No. 1 Osage Boyd Well,
8 which is located in Section 15 of Township 19 South, 25
9 East, in Eddy County, New Mexico.

10 Q Mr. Mazzullo, would you review the his-
11 tory of this matter for Mr. Stogner and in so doing summar-
12 ize the events which result in today's hearing?

13 A We originally re-entered this old well-
14 bore back in December of 1984 and it took us several months
15 to work on it, but we have finally established production
16 out of it in May of 1985, and from that time on we have been
17 negotiating for a gas contract in order to sell the gas from
18 the well.

19 We've produced that well out of what we
20 consider to be, or we completed that well out of what we
21 considered to be entirely the Morrow formation. Prior to
22 our grant -- getting a gas contract lined up and prior to
23 any production, we were informed by the Artesia Office of
24 this Division that we were in fact producing gas from two
25 different formations, a fact that I was not aware of at the

1 time we completed the well.

2 Q Did you meet with representatives of the
3 Division in Artesia?

4 A Yeah, I took a -- I flew out especially
5 to meet with Les Clements and Darrell Moore down in the Ar-
6 tesia Office, at which time we discussed this matter in de-
7 tail.

8 Q And what was the outcome of that meeting?

9 A The outcome of that meeting was that Mr.
10 Clements and Mr. Moore suggested to me that Nearburg seek
11 this hearing today in order to resolve the issue. It was
12 upon their recommendation that we're here today and that
13 we're making this application.

14 Q And they recommended that you approach
15 this with a downhole commingling application.

16 A They did and they recommended that we do
17 so here in person.

18 Q Have you prepared certain exhibits for
19 introduction in this case?

20 A I have six exhibits.

21 Q Would you refer to what has been marked
22 as Exhibit Number One and just identify this for Mr.
23 Stogner?

24 A Exhibit Number One are extracts from our
25 daily drilling reports on the subject well, the No. 1 Osage

1 Boyd.

2 Q And is there anything in that exhibit
3 you'd like to call to the Examiner's attention or does it
4 basically support the testimony you've already given con-
5 cerning the development of the property?

6 A It basically supports the data -- the
7 testimony I've already given. I might just reiterate that
8 it is a re-entry of an old well, the Hondo No. 1 Osage Boyd,
9 which was plugged and abandoned in 1974.

10 We originally began our operations, our
11 re-entry operations, on December 3rd, 1984, and you can read
12 through and see the perforation program, the extensive test-
13 ing that we carried on throughout several months time. The
14 frac job on the 4th of May of 1985, which we finally had to
15 resort to in order to stimulate production, and the results
16 of the 4-point test on the 14th of May, 1984 -- 5.

17 Q Would you now refer to what has been mar-
18 ked as Nearburg Exhibit Number Two, identify this, and re-
19 view the information contained on this exhibit?

20 A Exhibit Number Two is a location plat of
21 the subject well in Township 19 South, 25 East, Section 15,
22 showing in color code the surrounding offset operators. I
23 can go through this right now and tell you what the color
24 codes mean.

25 The yellow solid area with the red tri-

1 angle is -- the red triangle does identify the No. 1 Osage
2 Boyd Well and the yellow solid area identifies the acreage,
3 standup 320-acre proration unit dedicated to this well.

4 Q That is operated by Nearburg?

5 A And that is operated by Nearburg Produc-
6 ing Company. Just as an aside, you might note on the origi-
7 nal -- on the daily reports it's referred to as the Chama
8 No. 1 Osage Boyd. We have had a subsequent name change to
9 Nearburg; it's the same company.

10 At any rate, the yellow outline in Sec-
11 tion 22 identifies the acreage that is operated by, and
12 wells operated by, Nearburg Producing Company.

13 The gray shaded areas which overlap into
14 Section 22 and the very northeast quarter of Section 21 are
15 operated by Anadarko Production Company.

16 The blue shaded areas in the southeast
17 quarter of Section 16 is operated by Monsanto.

18 The pink, or light red, shaded areas in
19 the east half of Section 15 and the northeast quarter of
20 Section 16 are operated by Yates.

21 The green shaded area in Section 10 is
22 operated by Texaco, and finally the south half of Section 9,
23 the gray striped area, is operated by Fasken, David Fasken.

24 Q Does this exhibit also show offsetting
25 wells in the area?

1 A Yes, it does.

2 Q Now, in the wells that you're proposing
3 be commingled in the subject well, is the ownership common
4 in both of those zones?

5 A It is.

6 Q Would you now go to Nearburg Exhibit Num-
7 ber Five and review that for Mr. Stogner?

8 A Exhibit Number Five is a copy of Form C-
9 105, which was submitted by our Engineering Manager in
10 November of 1985. Basically what it tries to show is the
11 gross perforation interval from 8866 feet to 9110 feet. The
12 specific perforations within those gross interval are indi-
13 cated on Exhibit Number One previously submitted.

14 The other thing that I would like to show
15 is that we had set 4-1/2 inch casing in this well to the
16 intermediate, which was at approximately 13,000 feet, and
17 that this 4-1/2 inch casing was cemented up to 7900 feet,
18 well above the perforations.

19 The third thing I would like to show on
20 this exhibit is that the production from this well is en-
21 tirely gas. It's dry gas. There has been no water and no
22 distillate produced.

23 Q Now, Mr. Mazzullo, the well produces no
24 liquids at all.

25 A No liquids at all.

1 tion are the -- is the gross perforation interval in the
2 subject well, as well as the specific perforations which are
3 indicated by the red highlighting.

4 You will note that gas production has
5 been established from two sands down at the base of the per-
6 foration interval, as well as some very thin-bedded sands at
7 the top of the perforation interval.

8 Prior to discussing subject well with the
9 OCD personnel in Artesia, I have done an extensive amount of
10 regional work on the Morrow. I'm published on the Morrow in
11 this field and my determination has always been that the
12 Morrow top is located at the base of the Atoka shale, as I
13 indicate on this cross section, where it says datum base,
14 Atoka Shale. That has been my regionally correlated top of
15 Morrow which I've always gone by.

16 However, I found out subsequent to com-
17 pleting this well that the OCD has a differet opinion about
18 where the top of the Morrow is. They say that the top of
19 the Morrow by some regional cross sections which they use
20 as a basis for all of their pool designations, is located
21 along that dashed line I've indicated as NMOCD top of Mor-
22 row.

23 Fossil evidence and my regional evidence
24 both indicate that the Morrow extends above that dashed line
25 but because of the established cross sections that they have

1 been working with since 1957, the OCD and I differ on the
2 interpretation, and that's where the basic misunderstanding
3 has come in about what we were actually producing from.

4 Q As a result of these two interpretations
5 of the top of the Morrow, it was recommended that you come
6 forward with the commingling application.

7 A That's right. Mr. Clements and Mr. Moore
8 recommended that we come to you with this application.

9 Q Mr. Mazzullo, would you refer to Nearburg
10 Exhibit Number Five and review this for Mr. Stogner?

11 A Exhibit Number Five is a document that I
12 prepared from various well potential test data on file at
13 the OCD, which shows the basic compositions of the gases
14 produced Pennsylvanian horizons in several wells immediately
15 surrounding our wellbore.

16 You will note that the range in specific
17 gravities, percent CO2 and percent nitrogen in Morrow, Atoka,
18 and Strawn wells are basically similar. There's no real
19 difference in composition among the three different forma-
20 tion gases that come out in this area.

21 You'll note at the bottom that our Osage
22 Boyd has a similar specific gravity and similar nitrogen
23 content to all those Pennsylvanian wells regardless of which
24 formation they've come out of.

25 The only difference in our gas is a high

1 apparent -- higher apparent CO2 content, which we attribute
2 to the fact that we fraced this well with a high volume of
3 CO2, and when you potential a well in New Mexico you're not
4 always required to completely purge your load out before you
5 run your potential. So this is reflecting, more or less,
6 some load CO2 that's still left in the formation.

7 Q Mr. Mazzullo, based on the gas composi-
8 tion, do you see that any downhole problems would result
9 from the comingling being sought?

10 A I don't see any downhole problems, incom-
11 patibility of gases, or anything like that.

12 Q Would you identify what has been marked
13 as Nearburg Exhibit Number Six, please?

14 A Exhibit Number Six are letters which were
15 submitted by Campbell & Black to the offset operators in-
16 forming them of our application in this case. We have re-
17 ceived our -- we have received notice that they have re-
18 ceived them, all the operators have received these letters
19 and Mr. Carr just previously told you what the problem was
20 with the error that he -- that he caused in this -- in this
21 letter, but basically these are the letters that were sent
22 out.

23 Q And they do reflect that the matter will
24 be coming on for hearing on March 19th.

25 A That's right.

1 Q In your opinion, Mr. Mazzullo, will
2 granting the application be in the best interest of conserva-
3 tion, the prevention of waste, and the protection of correl-
4 ative rights?

5 A Yes, I do.

6 Q Were Exhibits One through Six either pre-
7 pared by you or compiled under your direction?

8 A They were.

9 MR. CARR: At this time, Mr.
10 Stogner, we would offer into evidence Nearburg Producing
11 Company Exhibits One through Six.

12 MR. STOGNER: Exhibits One
13 through Six will be admitted into evidence.

14 MR. CARR: That concludes my
15 direct examination of Mr. Mazzullo.

16
17 CROSS EXAMINATION

18 BY MR. STOGNER:

19 Q Mr. Mazzullo, do you or the Division
20 District Office in Artesia have some sort of an allocation
21 formula on which to base the -- split the production between
22 the two zones?

23 A No, we don't.

24 Q How do you propose that an allocation be
25 formulated?

1 8847 at this time?

2 MR. CARR: Nothing further.

3 MR. STOGNER: The record will
4 be kept open concerning this case until the March 19th, 1986
5 hearing in which it will be called for any additional testi-
6 mony which might be presented at that time.

7

8 (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. 8847 heard by me on 5 March 1986.

[Signature], Examiner
Oil Conservation Division