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A P P E A R A N C E S

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I N D E X

	Page Number
1	
2	
3	Appearances 2
4	1. LOUIS MAZZULLO
5	Direct Examination by Ms. Matthews 6
6	Cross-Examination by Hearing Examiner 12
7	Certificate of Reporter 15

E X H I B I T S

8	
9	Applicant's Exhibit 1 7
10	Applicant's Exhibit 2 10
11	
12	
13	
14	
15	
16	
17	
18	
19	
20	
21	
22	
23	
24	
25	

1 HEARING EXAMINER: At this time we will
2 call Case 9821, the application of Nearburg Producing
3 Company for amendment of Division Order No. R-8991,
4 Lea County, New Mexico.

5 Are there appearances in this case.

6 MS. MATTHEWS: Yes. My name is Patricia
7 Matthews on behalf of Nearburg Producing Company.

8 HEARING EXAMINER: Any other appearances?

9 THE WITNESS: Louis Mazzulolo, geological
10 consultant, witness.

11 LOUIS MAZZULLO,
12 the witness herein, after having been first duly sworn
13 upon his oath, was examined and testified as follows:

14 DIRECT EXAMINATION

15 BY MS. MATTHEWS:

16 HEARING EXAMINER: Be seated, and you may
17 proceed, Miss Matthews.

18 MS. MATTHEWS: I'd like to make a brief
19 statement at the beginning just to give you some
20 historical background in this case.

21 By Order R-8991, which was entered by the
22 Division in Case 9724 on August 23, 1989, the
23 applicant was granted an unorthodox well spacing in
24 the South Humble City Strawn Pool for the drilling of
25 the Boys Ranch No. 1 Well at a point 1,100 feet from

1 the north line and 880 feet from the east line of
2 Section 13.

3 The purpose of today's hearing is to
4 request that the Commission amend that order to permit
5 Nearburg to drill to a depth of approximately 13,500
6 feet to test the Devonian formation at this location.

7 The ownership of the lease is valid and
8 would not change if Nearburg is permitted to drill to
9 this depth. Additionally, all offsetting acreage,
10 both direct and diagonally, is operated by Nearburg,
11 and all interest owners are farmed out to Nearburg.

12 Nearburg does not intend to reintroduce the
13 land testimony presented at the previous hearing but
14 would ask the examiner to incorporate by reference
15 that testimony into the record here today.

16 HEARING EXAMINER: I'm sorry; the case
17 number again was?

18 MS. MATTHEWS: The case number that we're
19 asking to have the testimony incorporated is 9724.

20 HEARING EXAMINER: The Division will take
21 administrative notice and will incorporate testimony
22 and evidence presented in Case 9724.

23 MS. MATTHEWS: I'd like to call Mr. Lieu
24 Mazzullo to testify on behalf of Nearburg Producing
25 Company then.

1 Q. Would you state your name and occupation
2 for the record, please.

3 A. I am Louis Mazzullo, a geological
4 consultant on retainer to Nearburg Producing Company
5 out of Midland.

6 Q. Would you give for the record your address,
7 please.

8 A. Midland, Texas.

9 Q. I'm sorry, in what capacity are you
10 employed?

11 A. I'm a geological consultant, but I am
12 retained by Nearburg Producing Company.

13 Q. Have you previously testified before the
14 Oil Conservation Division?

15 A. I have.

16 MS. MATTHEWS: Mr. Hearing Officer, I'd
17 like to offer his qualifications at this time as an
18 expert in this case.

19 HEARING EXAMINER: He is so qualified.

20 Q. (BY MS. MATTHEWS) What does Nearburg seek
21 in this application?

22 A. Nearburg seeks to amend Division Order No.
23 R-8991, which authorized an unorthodox oil well
24 location to the Strawn formation at the location in
25 Section 13 of Township 17 South, 37 East, Lea County,

1 New Mexico.

2 We propose to include provisions to test
3 the Devonian formation, which is a deeper formation at
4 this location, whereby the northeast quarter of the
5 northeast quarter of Section 13 would be dedicated to
6 form a standard proration unit, 40-acre proration
7 unit, to the Devonian.

8 Q. Have you prepared certain exhibits for
9 presentation in this case today?

10 A. Yes, I have.

11 Q. Would you refer to Exhibit No. 1 and
12 identify the exhibit and explain to the examiner what
13 the exhibit is intended to explain?

14 A. Okay. Exhibit No. 1 is a structure map
15 drawn at the top of the Devonian formation. This map
16 was generated after we generated the maps that went
17 into the initial location for the Strawn formation.
18 That was the subject of Case No. 9724.

19 I subsequently went back in here and
20 determined that there was in fact some possible
21 Devonian potential. We did additional seismic
22 evaluation on the area, and this map was the result.

23 This map was drawn on the basis of tens of
24 miles of seismic data which was shot by Nearburg
25 Producing Company and their associates in this

1 project, and it is intended to show the complexity of
2 the structure at the Devonian level and the reasons
3 why we believe that the location to the Strawn is also
4 a favored location for a Devonian test.

5 If you notice, the location, which is
6 indexed by the orange dot and the orange arrow, is
7 surrounded by small faults which are all up towards
8 the location. The small faults form what is in fact a
9 horsed block, a structural high area relative to
10 everything around it, in which is located a small
11 structural closure of about 100 foot of relief, on top
12 of which is located the proposed location.

13 The green area is the crest or the crestal
14 part of this closure.

15 The two yellow wells to the north of the
16 location or the wells that are highlighted in yellow
17 triangles are Strawn tests or Strawn wells that are
18 operated by Nearburg Producing Company, the No. 2 and
19 the No. 1 Wright Wells in Section 12.

20 On the right side of this diagram, I have
21 referenced the Garratt fault which will be mentioned
22 in the next exhibit and has some bearing on separation
23 of our Devonian feature here from other producing
24 zones in the Devonian.

25 As in the previous testimony regarding the

1 Strawn, we stressed at that time that the Strawn
2 location was based upon particular set of seismic
3 characteristics which require that we locate that well
4 precisely where we saw the best seismic anomalies on
5 those wells.

6 Similarly, we have determined that at the
7 same location, we would be at the most favored or the
8 most optimal structural position at the Devonian
9 level, which is some 700 or so feet deeper than the
10 Strawn.

11 If we were to move the location more
12 standard; that is, more in the northeastern direction
13 towards the northeast quarter in Section 13, we would
14 chance -- we risk losing at least 50 feet of
15 structural relief, which at the Devonian level is very
16 critical to its potential producibility.

17 The same seismic lines that were used to
18 identify the Strawn anomalies in this area were used
19 to identify the Devonian structural features. And
20 these are, as I said -- these features are precisely
21 mapped, to the best of our ability, based upon a lot
22 of seismic information. We've determined that the
23 location, as stated here, is the optimum structural
24 location for the Devonian and the least risky place to
25 put it.

1 Q. Do you have anything further to add to your
2 explanation of Exhibit 1?

3 A. No, I don't.

4 Q. Would you please refer to what has been
5 marked Exhibit No. 2? Would you identify that exhibit
6 and review what that exhibit is intended to represent
7 to the examiner?

8 A. Exhibit No. 2 simply shows the relationship
9 of our proposed Devonian Strawn test to the nearest
10 Devonian production in the area.

11 The nearest Devonian production in the area
12 is out of Garratt Field, which is a mile-and-a-half to
13 the northeast of our location.

14 Garratt Field encompasses approximately, I
15 believe, six or seven producing wells, some of which
16 have already been plugged. It's been producing for
17 many years, at least 20 years or more. And it is
18 located on the up-thrown side of the large Garratt
19 fault.

20 This Garratt fault has got several hundred
21 feet of structural relief, almost a thousand feet in
22 fact, of structural relief along part of its trend.
23 This is in contrast to some of the smaller faults that
24 I identified on the previous exhibit that surround the
25 proposed location.

1 The Garratt Field is located on a larger
2 Devonian structure, more than 100 feet of relief. In
3 fact, it's at least 200 or 250 feet of structural
4 relief under the Garratt Field at the Devonian level.

5 Garratt Field is separated from our
6 location by the large throw on the major Garratt fault
7 in addition to the smaller intervening faults that
8 come between us and them.

9 As a matter of fact, we are at several
10 hundred feet below the lowest well in the Garratt
11 Field at our proposed location on the Devonian level.
12 So we're already taking a risk by drilling -- I think
13 it's 700 feet low to Garratt Field, but we believe
14 that there's separation between Garratt and this
15 location that warrants our testing the Devonian.

16 The location, again, is on a much smaller
17 structural feature than we're talking about for
18 Garratt Field, and it requires that we be more
19 sensitive to the preciseness of where we put it.

20 Q. Do you have anything to add to Exhibit No.
21 2?

22 A. No, that's all.

23 Q. Do you believe granting your application
24 will be in the best interests of conservation, the
25 prevention of waste, and the protection of correlative

1 rights?

2 A. I do.

3 Q. Is Nearburg requesting the Commission to
4 expedite the order in this case?

5 A. Yes. We are currently planning on spudding
6 the well either today or tomorrow and drilling out to
7 the Strawn. That take approximately 23 or 24 days to
8 get down to the Strawn level.

9 Q. Did you prepare Exhibits No. 1 and 2?

10 A. Yes, I did.

11 MS. MATTHEWS: I'd like to offer those two
12 exhibits to be admitted into evidence.

13 HEARING EXAMINER: Exhibits 1 and 2 will be
14 admit.

15 HEARING EXAMINER: Do you have anything
16 further?

17 THE WITNESS: Not at all.

18 CROSS-EXAMINATION

19 BY HEARING EXAMINER:

20 Q. Mr. Mazzullo, do you plan on drilling down
21 to the Devonian right away?

22 A. If we come in structurally on the Strawn
23 level and on the Mississippian zone immediately below
24 it -- if we come in as we had mapped on the Strawn and
25 as we anticipate on the Mississippian, yes, we will.

1 We will continue the well on down.

2 Q. Can you possibly equip the well for dual
3 completion setup, something like that?

4 A. I don't know if that's what they want to do
5 or not.

6 Q. Briefly, just going over a couple of the
7 land matters, that 80-acre proration unit, being the
8 east half of the northeast quarter, that's dedicated
9 to the Strawn?

10 A. That's dedicated to the Strawn. I should
11 have made it clear that I've separated the 80-acre
12 unit into the two 40's. The northeast is the 40-acre
13 proration unit that's involved with the Devonian.

14 Q. Is the interest the same in those two 40's?

15 A. Yes, they are.

16 Q. It's identical?

17 A. Yes.

18 Q. You would be crowding the south line; is
19 that correct?

20 A. That's correct, we're crowding the south
21 line.

22 Q. What is the interest ownership in the other
23 80 in the 160 in the west half?

24 A. In the west half.

25 Q. Yes, I believe it's all the same in the

1 west half as it is in the east half.

2 Q. All the same in that 160?

3 A. Yes, sir.

4 Q. So there would be nobody you would have to
5 notify for that location?

6 A. No. Everyone that is involved, all the
7 interest owners that are not participating have farmed
8 out to us.

9 HEARING EXAMINER: I believe that's all I
10 have. The witness may be excused.

11 There being nothing further in Case 9821,
12 it will be taken under advisement.

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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
 9 Conservation Division was reported by me; that I
 10 caused my notes to be transcribed under my personal
 11 supervision; and that the foregoing is a true and
 12 accurate record of the proceedings.

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 November 25, 1989.

18

Deborah O'Bine

 DEBORAH O'BINE
 CSR No. 127

19

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21 My commission expires: August 10, 1990

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I do hereby certify that the foregoing is
 a complete and correct transcript of the proceedings in
 the Examiner hearing of Case No. 982,
 heard by me on November 15 1989.
 _____, Examiner
 Oil Conservation Division