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## I N D E X

STATEMENT BY MR. CARR

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MARK K. NEARBURG

Direct Examination by Mr. Carr

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Cross Examination by Mr. Stogner

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Redirect Examination by Mr. Carr

15

## E X H I B I T S

Nearburg Exhibit One, Land Map

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Nearburg Exhibit Two, Agreement

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Nearburg Exhibit Three-A, Structure Map

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Nearburg Exhibit Three-B, Isopach

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Nearburg Exhibit Four, Letter

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MR. STOGNER: This hearing will come to order, please, gentlemen. Thank you.

We'll call next Case Number 8813.

MR. TAYLOR: The application of Nearburg Producing Company for an unorthodox well location, Lea 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.

We represent Nearburg Producing Company and I have one witness.

MR. STOGNER: Are there any other appearances?

There being none, will all the witnesses, or witness, please stand and be sworn.

(Witness sworn.)

MR. CARR: Initially, Mr. Examiner, the well location has been moved 100 feet to the west since the case was originally applied for, or the application was originally filed, and the case will therefore have to be readvertised.

1                   The well is now located 760  
2 feet from the east line instead of 660 feet from the east  
3 line.

4                   MR. STOGNER: 560 feet from the  
5 east line?

6                   MR. CARR: 760.

7                   MR. STOGNER: 760. Let's go  
8 off the record.

9  
10                   (Thereupon a discussion was had off the record.)

11  
12                   MR. STOGNER: Let's go back on  
13 the record.

14                   With the 660 being moved to 760  
15 from the east line, on the west/east axis, 760 would still  
16 be within the 150-miles of the center -- 150 feet from the  
17 center of a proration unit, which makes that axis still  
18 stand.

19                   The -- the nonstandard portion  
20 of the location, being the 2 -- the 2460-foot, is the unor-  
21 thodox portion of that.

22                   I'm going to waive readvertise-  
23 ment till the 19th on this, so we will be ready to go ahead  
24 and hear testimony today and I will write an order as such,  
25 if I approve.

You may continue, Mr. Carr.

MARK K. NEARBURG,

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

DIRECT EXAMINATION

BY MR. CARR:

Q Would you state your full name, please?

A Mark K. Nearburg.

Q Mr. Nearburg, by whom are you employed?

A Nearburg Producing Company.

Q And in what capacity?

A Vice President and Land Manager.

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

A Yes.

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

A Yes.

Q Are you familiar with the subject area and the proposed well?

A Yes.

Q You're not an engineer or a geologist,

1 are you, Mr. Nearburg?

2 A No.

3 Q You are the Vice President and part owner  
4 of Nearburg Producing Company?

5 A Yes.

6 MR. CARR: Mr. Stogner, are the  
7 witness' qualifications acceptable? He will not be present-  
8 ing a technical case in this -- in this matter.

9 MR. STOGNER: There being no  
10 objections on this, Mr. Nearburg, as Vice President of Near-  
11 burg Production Company -- Producing Company is hereby qual-  
12 ified.

13 Q Mr. Nearburg, what does your company seek  
14 with this application?

15 A Nearburg seeks approval of an unorthodox  
16 location 2460 feet from the south line and 1760 feet from  
17 the east line, Section 12, Township 17 South, Range 37 East,  
18 in the South Humble City Strawn, or the Humble City Strawn-  
19 Atoka Pool; the north half southeast quarter of Section 12  
20 to be dedicated to the well, forming a standard 80-acre oil  
21 spacing and proration unit, which is standard for both of  
22 those pools.

23 Q Mr. Nearburg, why did you move the well  
24 location from the previously requested 660-foot from the  
25 east line location?

1           A           We were more than 200 feet from the sur-  
2 face owner's house and barns but in our agreement with him  
3 we agreed to move 100 feet further west.

4           Q           Have you prepared certain exhibits for  
5 introduction in this case?

6           A           Yes.

7           Q           Would you refer to what has been marked  
8 as Nearburg Exhibit Number One, identify this, and review it  
9 for Mr. Stogner?

10          A           This is a land map. It shows Nearburg's  
11 leasehold position in the dashed dark line. The proration  
12 unit is shown in the yellow highlight with the proposed well  
13 in the blue triangle.

14          Q           Have all the interest owners within the  
15 area encompassed by the heavy black line agreed to the pro-  
16 posed location?

17          A           Yes.

18          Q           What is the ownership within that area?

19          A           Nearburg has acquired 100 percent working  
20 interest with the exception of the west half southwest quar-  
21 ter of Section 7.

22          Q           Okay, and who is the owner of that ac-  
23 reage?

24          A           Mr. Fuller and he prefers not to lease.

25          Q           What is his interest in that property?

1           A           He has 14.44 undivided acres.

2           Q           Are there any other interests within that  
3 dark outlined area that are not controlled by Nearburg?

4           A           In the northwest quarter of Section 18,  
5 Township 17 South, Range 38 East, Amerada has two oil and  
6 gas leases there.

7           Q           And with the exception of the Amerada and  
8 the Fuller interest, does Nearburg control 100 percent of  
9 the working interest within this area that's designated by  
10 the dark line?

11          A           Yes.

12          Q           And the subject well is indicated by the  
13 blue triangle?

14          A           Yes.

15          Q           As well as the spacing unit?

16          A           Yes.

17          Q           What formations do you -- are you pro-  
18 jecting this well to?

19          A           The Strawn-Atoka.

20          Q           Are there special pool rules in effect  
21 for the Strawn and the Atoka in this area?

22          A           Yes, 80-acre proration units and with  
23 wells located within 150 feet of the center of either quar-  
24 ter quarter section within the proration unit.

25          Q           And those rules are for what pool?



1           A           The South Humble City Strawn and the Hum-  
2 ble City Strawn-Atoka Pools.

3           Q           Would you refer to what's been marked as  
4 Nearburg Exhibit Number Two and identify this, please?

5           A           This is an agreement with the surface  
6 owner, showing that they've received their copy of the ap-  
7 plication for permit to drill and that we have settled sur-  
8 face damages with them.

9           Q           Now, I'd like you to go to Exhibit Number  
10 Three and identify these for Mr. Stogner and explain how  
11 they came into Chama's hands.

12          A           Okay. This prospect was presented to us  
13 by LDM Associates in Roswell, and these are their structure  
14 and Isopach maps based on seismic interpretation on the  
15 prospect.

16          Q           Now, when you received this proposal, or  
17 this proposal was made by LDM and Associates, did they also  
18 recommend the location which you're seeking approval of here  
19 today?

20          A           Yes.

21          Q           And what, basically, do these two plats  
22 indicate?

23          A           Exhibit Three-A is a structure map just  
24 showing the interpretation on the structure from the seis-  
25 mic.

1                   Exhibit Three-B is an Isopach map on the  
2 Strawn-Atoka, showing the thicknesses, hopefully, in the  
3 structure.

4                   Q           And what do these two maps indicate about  
5 the proposed well location?

6                   A           That we need the location where it is to  
7 stay on the nose of the structure and also encounter the  
8 thickest part of the Strawn.

9                   Q           And in moving the location to the north  
10 you're encroaching only on acreage that Nearburg has 100 --  
11 or controls 100 percent of the working interest in.

12                  A           Yes. If you go back to Exhibit One, we  
13 have 100 percent of the working interest on all sides of the  
14 unit, with the exception of the west half southwest quarter  
15 of 7.

16                  Q           Do you employ on a permanent basis in-  
17 house geologists?

18                  A           Yes. Our in-house geologists have re-  
19 viewed the data, concur with it, and we've also had indepen-  
20 dent geophysicist review the data for us.

21                  Q           Would you now identify what has been  
22 marked as Chama Exhibit Number Four?

23                  A           Exhibit Number Four is a letter to Mr.  
24 Fuller, advising him of this application -- this hearing,  
25 and the receipts that he signed.

1 Q And he's the only other offsetting  
2 interest owner --

3 A Yes.

4 Q -- other than Nearburg.

5 A Yes.

6 Q In your opinion will granting this appli-  
7 cation be in the best interest of conservation, the preven-  
8 tion of waste, and the protection of correlative rights?

9 A Yes.

10 Q Were Exhibits One through Four compiled  
11 under your direction and supervision?

12 A Yes.

13 MR. CARR: At this time, Mr.  
14 Stogner, we would offer Nearburg Exhibits One through Four.

15 MR. STOGNER: Exhibits One  
16 through Four will be admitted into evidence.

17 MR. CARR: And that concludes  
18 my direct examination of Mr. Nearburg.

19

20

#### CROSS EXAMINATION

21 BY MR. STOGNER:

22 Q Mr. Nearburg, on Exhibit Number Four,  
23 which is the letter from Campbell & Black Law Firm here in  
24 Santa Fe --

25 A Uh-huh.

1           Q           -- dated December 30th, 1985, to Mr. R.  
2 J. Fuller, now that Mr. R. J. Fuller, he is the working in-  
3 terest in the west --

4           A           He's a mineral interest owner in --

5           Q           Mineral interest owner.

6           A           -- the southwest southwest of 7.

7           Q           Okay. Was he notified subsequent to De-  
8 cember 31st of the proposed move to the well, because I see  
9 the well here shows it being 660 from the east line.

10          A           Right. We did not reach agreement, final  
11 agreement with the land owner until last -- this last Sun-  
12 day. We have sent a -- LDM, who has handled all the leas-  
13 ing, has sent Mr. -- I don't have a copy of it, but they  
14 have sent Mr. Fuller a letter.

15          Q           When did they send that letter?

16          A           It should have left Monday because we  
17 reached all our agreements on Sunday.

18          Q           And that showed the proper well location?

19          A           Uh-huh.

20          Q           Would you submit me a copy of that subse-  
21 quent to the hearing?

22          A           Yes.

23          Q           Today being Wednesday, he hasn't had a  
24 chance to respond to that letter.

25          A           Mail from Roswell to Dallas takes from

1 one to seven days, depending --

2 Q Let's go back to Exhibit Number One so I  
3 can be better acquainted.

4 You have a yellow rectangle showing the  
5 north half of the southeast quarter and that is the proposed  
6 proration unit for this well, is that correct?

7 A Yes.

8 Q Okay. Offsetting -- proration units off-  
9 setting to the north --

10 A Yes.

11 Q -- and to the west and south is 100 per-  
12 cent interest owned by Nearburg, is that correct?

13 A Yes.

14 Q So the only proration unit offsetting  
15 this proration unit that has other mineral interest other  
16 than Nearburg would be the west half of the southwest quar-  
17 ter of 7?

18 A Yes, unless you did a laydown unit there.

19 Q But regardless, this new -- this new  
20 location is moving further from that acreage, is that  
21 correct?

22 A Yes.

23 Q So you're crowding yourself on all sides,  
24 essentially.

25 A Yes.



1 varied.

2 Q Who is this person?

3 A Gordon Gibson.

4 Q Gordon and Gibson, and who is he with?

5 A No, Mr. Gordon Gibson.

6 Q Yes, Mr. Gordon Gibson, and who does he  
7 work for?

8 A He's an independent. He worked for Mobil  
9 for several -- all of his career up until his retirement in  
10 the seventies.

11 MR. STOGNER: I have no further  
12 questions of Mr. Nearburg.

13 Are there any other questions  
14 of this witness?

15 MR. CARR: Just one.

16 MR. STOGNER: Mr. Carr.

17 MR. CARR: Or just two, maybe.

18

19

REDIRECT EXAMINATION

20 BY MR. CARR:

21 Q Mr. Nearburg, you've familiar with the  
22 spacing rules in this area, are you not?

23 A Yes.

24 Q And the proposed unorthodox location is  
25 more than a standard setback on the Fuller property?

1           A           Yes.

2                           MR. CARR:   No further ques-  
3 tions.

4                           MR. STOGNER:   Thank you.   Are  
5 there any other questions of Mr. Nearburg?

6                           If not, he may be excused.

7                           Is there anything further in  
8 this case today?

9                           MR. CARR:   Nothing further, Mr.  
10 Stogner.

11                          MR. STOGNER:   Due to a misad-  
12 vertisement as far as the dedicated proration unit goes,  
13 this case will be readvertised and called on February 5th,  
14 1986, hearing. so this case will remain open until that  
15 time.

16                          MR. CARR:   And we will supply  
17 the letter to Mr. Fuller concerning the well location within  
18 a week.

19                          MR. NEARBURG:   No, we will sup-  
20 ply it to the Commission. It's been supplied to Mr. Fuller.

21                          MR. CARR:   I know, but we will  
22 give them a copy of that letter within a week.

23                          MR. STOGNER:   When do you pro-  
24 pose to send that out, Mr. Carr?

25                          MR. CARR:   The letter to you?



1 MR. STOGNER: To Mr. --  
2 MR. CARR: Fuller?  
3 MR. STOGNER: -- Fuller?  
4 MR. CARR: The letter has al-  
5 ready gone to Mr. Fuller. We will just get a copy of that  
6 letter to you showing that he was notified of the location  
7 on or about Monday of this week; as soon as the deal had  
8 been struck with the landowner we did write it.  
9 MR. STOGNER: Mr. Carr, I'm  
10 going to request of you also that you notify him that -- of  
11 the February 5th, 1986 --  
12 MR. CARR: I will.  
13 MR. STOGNER: -- hearing in  
14 that case if he had any objection he (not clearly under-  
15 stood.)  
16 MR. CARR: We'll send him the  
17 standard letter again that we use notifying him that he has  
18 a right to appear at that time.  
19 MR. STOGNER: Thank you, sir,  
20 and would you also send me a copy of that so --  
21 MR. CARR: I will.  
22 MR. STOGNER: -- it's in the  
23 record?  
24 Thank you, sir.  
25 Is there anything further in

1 Case 8813 today?

2 If not, this -- we will recess  
3 this particular case until the February 5th, 1986, hearing.  
4

5 (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 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. 8813, heard by me on 22 January 1986.

Michael E. Stogner, Examiner  
Oil Conservation Division

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

5 February 1986

EXAMINER HEARING

IN THE MATTER OF:

The disposition of cases called at  
this docket but for which no testi-  
mony was presented.

CASE  
8775, 8809,  
8810, 8819,  
8820, 8821,  
8806, 8805,  
8789, 8823,  
8813, 8689.

*Transcript in  
Case 8775*

BEFORE: David R. Catanach, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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