

STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS  
GOVERNOR

August 3, 1938

POST OFFICE BOX 2038  
STATE LAND OFFICE BUILDING  
SANTA FE NEW MEXICO 87501  
(505) 827-5800

Mr. William F. Carr  
Campbell & Black  
Attorneys at Law  
Post Office Box 2203  
Santa Fe, New Mexico

Re: CASE NO. 9427  
ORDER NO. R-8711

Applicant:

Nearburg Producing Company

Dear Sir:

Enclosed herewith are two copies of the above-referenced  
Division order recently entered in the subject case.

Sincerely,

*Florene Davidson*

FLORENE DAVIDSON  
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD   x    
Artesia OCD   x    
Aztec OCD   x  

Other \_\_\_\_\_  
\_\_\_\_\_

CAMPBELL & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
MARK F. SHERIDAN  
J. SCOTT HALL  
PETER N. IVES  
JOHN H. BEMIS  
MARTE D. LIGHTSTONE

*[Handwritten initials]*  
GUADALUPE PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87504-2208  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

June 30, 1988

HAND DELIVERED

RECEIVED

JUN 30 1988

CON DIVISION

William J. LeMay, Director  
Oil Conservation Division  
New Mexico Department of  
Energy, Minerals and Natural Resources  
State Land Office Building  
Santa Fe, New Mexico 87503

Re: OCD Case No. 9425  
In the Matter of the Application of Nearburg Producing  
Company for an Unorthodox Gas Well Location, and  
Simultaneous Dedication, Eddy County, New Mexico

OCD Case No. 9426  
In the Matter of the Application of Nearburg Producing  
Company for Compulsory Pooling and an Unorthodox Gas  
Well Location, Eddy County, New Mexico

OCD Case No. 9407  
In the Matter of the Application of Nearburg Producing  
Company for an Unorthodox Gas Well Location,  
Eddy County, New Mexico

Dear Mr. LeMay:

I would appreciate the Division continuing the above-referenced  
hearings from the July 6, 1988 Examiner docket to the July 20,  
1988 Examiner docket.

Your assistance in this matter is appreciated.

Very truly yours,

*[Handwritten signature of William F. Carr]*  
WILLIAM F. CARR

WFC/mlh

cc: Mr. Mark Nearburg  
Nearburg Producing Company

David Farmer  
ARCO Oil & Gas Company

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

6 20 July 1988

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Nearburg Producing Company for an unorthodox gas well location and simultaneous dedication, Eddy County, New Mexico, and CASE 9425

10 Application of Nearburg Producing Company for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico, and 9426

11 Application of Nearburg Producing Company for an unorthodox gas well location and simultaneous dedication, Eddy County, New Mexico. 9427

12 BEFORE: Michael E. Stogner, Examiner

13 TRANSCRIPT OF HEARING

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

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

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

## I N D E X

## MARK NEARBURG

Direct Examination by Mr. Carr	4
Cross Examination by Mr. Stogner	12

## LOUIS MAZZULLO

Direct Examination by Mr. Carr	14
Cross Examination by Mr. Stogner	25

## E X H I B I T S

Nearburg Exhibit One, Plat	6
Nearburg Exhibit Two, Cross Section	15
Nearburg Exhibit Three, Type Log	17
Nearburg Exhibit Four, Map	20
Nearburg Exhibit Five, Structural Map	22

1 MR. STOGNER: We will call  
2 next Case Number 9425, which is the application of Nearburg  
3 Producing Company for an unorthodox gas well location and  
4 simultaneous dedication, Eddy County, New Mexico.

5 Call for appearances.

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

10 Initially I would request that  
11 this case be consolidated with Cases 9426 and 9427, also on  
12 today's docket. They all involve wells offsetting one an-  
13 other in a Morrow stringer and the testimony will be very  
14 similar.

15 MR. STOGNER: Are there any  
16 objections?

17 There being none, I will call  
18 Case Number 9426, which is the application of Nearburg Pro-  
19 ducing Company for compulsory pooling and an unorthodox gas  
20 well location in the same area in Eddy County, and I'll  
21 also call Case Number 9427, is that correct, Mr. Carr?

22 MR. CARR: That's correct, Mr.  
23 Stogner.

24 MR. STOGNER: Which is the ap-  
25 plication of Nearburg Producing Company for an unorthodox

1 gas well location and simultaneous dedication in the same  
2 area in Eddy County, New Mexico.

3 Call for appearances in those  
4 cases, other than Mr. Carr.

5 There being none, will the  
6 witness please stand and be sworn at this time?

7

8 (Witnesses sworn.)

9

10 MR. CARR: Mr. Stogner, there  
11 is one other initial matter. In Case 9426 Nearburg Produc-  
12 ing Company was seeking an order pooling a 320-acre gas  
13 spacing and proration unit. An agreement was been reached  
14 with ARCO, the interest owner who was subject to pooling,  
15 and therefore that portion of Case 9426 can be dismissed.

16 MR. STOGNER: Thank you, Mr.  
17 Carr.

18

19 MARK NEARBURG,  
20 being called as a witness and being duly sworn upon his  
21 oath, testified as follows, to-wit:

22

23 DIRECT EXAMINATION

24 BY MR. CARR:

25 Q Will you state your full name and place

1 of residence?

2 A Mark Nearburg, Dallas, Texas.

3 Q Mr. Nearburg, by whom are you employed?

4 A Nearburg Producing Company.

5 Q And what is your position with Nearburg  
6 Producing Company?

7 A Land Manager.

8 Q Have you previously testified before  
9 this Division and had your credentials as a landman accept-  
10 ed and made a matter of record?

11 A Yes.

12 Q Are you familiar with each of the appli-  
13 cations filed on behalf of Nearburg Producing Company in  
14 this consolidated case?

15 A Yes.

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

18 MR. STOGNER: They are.

19 Q Mr. Nearburg, would you briefly state  
20 what Nearburg seeks with these consolidated applications?

21 A Nearburg seeks approval of three non-  
22 standard Morrow locations drilled on 320-acre spacing units  
23 in the Boyd Morrow Pool.

24 Q You also are requesting simultaneous de-  
25 dication of -- in two of those units?

1           A           Yes, in Case 9425 and Case 9427 we're  
2 seeking simultaneous dedication.

3           Q           What pool are we talking about?

4           A           The Boyd Morrow Pool.

5           Q           Let's go to what has been marked as your  
6 Exhibit Number One and let's review the development as de-  
7 picted on this exhibit.

8                       First, would you just note the South  
9 Boyd No. 1 and advise the Examiner as to the acreage that  
10 is dedicated to that well?

11          A           The South Boyd No. 1 is a Morrow well  
12 drilled by Nearburg in about 1983. The well is on a north  
13 half proration unit in Section 27.

14          Q           Is it currently producing?

15          A           Yes.

16          Q           Now, would you go down to the south half  
17 of 26 and just briefly identify the Boyd State 26 M No. 1  
18 and review the status of that well.

19          A           That's a well, an oil well that was com-  
20 pleted two weeks ago. It was approved at a hearing about a  
21 month ago. It is a producing well, not yet -- it is com-  
22 pleted, it's not yet tied into a pipeline; produces on a  
23 south half unit.

24          Q           And what is the producing capability of  
25 that well, in your opinion?

1           A           In terms of volume?

2           Q           Yes.

3           A           Into the pipeline we're not sure yet,  
4 but it looks like that it should produce approximately a  
5 million to a million and a half cubic feet a day.

6           Q           All right, Mr. Nearburg, now let's go up  
7 to the spacing unit that is shaded in yellow, the east half  
8 of Section 22. Would you identify the existing well on  
9 that unit?

10          A           This is Case 9425. It's the east half  
11 of Section 22. Shown with the green dot is the B & B No.  
12 1, which is a currently producing oil well that is a mar-  
13 ginal producer.

14          Q           Now, in that spacing unit you've also  
15 placed the names Anadarko and Yates Petroleum. Would you  
16 explain why their names are included there?

17          A           When this exhibit was prepared we had  
18 worked with Anadarko and Yates in this area. We simply  
19 wanted to show the operators that were -- being active in  
20 this area, they are -- they were consulted and have agreed  
21 to the development plans for these wells.

22          Q           At this time --

23          A           And Nearburg now has -- controls 100  
24 percent of the interest in the east half of 22 in coopera-  
25 tion with Anadarko and Yates.

1 Q All right. Now, in the southeast corner  
2 of that unit is a red spot. That's the proposed well?

3 A Yes.

4 Q Toward whom are you moving?

5 A We're only moving toward ourselves. We  
6 own 100 percent of the acreage towards which we're moving.

7 Q And what is the proposed location for  
8 that well?

9 A 660 from the south line and 660 from the  
10 east line.

11 Q All right, now let's --

12 A I'd also like to point out that we're  
13 moving toward a currently producing unit.

14 Q Would you now go to the 9-Lives Well,  
15 which is the acreage shaded in yellow, Case 9 -- I'm sorry,  
16 shaded in orange, Case 9426, and review your plans for that  
17 spacing unit?

18 A Okay. This is the 0-Lives 26 B No. 1,  
19 also a Morrow test, to be produced -- to be drilled on a  
20 north half unit in Section 26.

21 Q And what is the proposed location?

22 A The proposed location is 990 feet from  
23 the north and west lines of the section.

24 Q And toward whom is this location being  
25 moved?

1           A           This location is being moved toward  
2 Nearburg production and all of the units it is moving to-  
3 ward are currently producing.

4           Q           Is there any existing production from  
5 the Morrow formation on that spacing unit?

6           A           No.

7           Q           Will you now go to the area shaded or  
8 outlined in green and review your development plans in that  
9 area?

10          A           This is Case 9427 in which we are seek-  
11 ing to drill a new well at a nonstandard location to the  
12 Morrow formation and simultaneously dedicate the unit to  
13 the currently producing Perino No. 1 Well, indicated by the  
14 green dot, which is also a marginal producer.

15                       We are only moving toward, again, pro-  
16 ducing units that Nearburg controls 100 percent.

17          Q           Now, as to the existing wells in the  
18 south half of 23 and in the east half of 22, are you pre-  
19 pared to plug and abandon those wells at this time?

20          A           No.

21          Q           And why not?

22          A           They are marginal producers. They are  
23 holding the units, in effect. We seek the simultaneous de-  
24 dication to drill the new wells. We do not want to plug  
25 the existing wells due to the potential for marginal wells

1 with the new drilling.

2                   If we incur -- if we find that the new  
3 wells are marginal, we will want to produce both wells from  
4 the unit.

5                   Q           What are your current plans for drilling  
6 the wells which are the subjects of these cases?

7                   A           I'll start with the B & B Well, Case  
8 9425. That well will be drilled following completion of  
9 the Perino 23 Well, located in Section 23. The Perino Well  
10 is currently drilling. We were in touch with the Commis-  
11 sion and had detailed conversations about extending this  
12 case from July 6th docket and we received approval from the  
13 Commission to go ahead and begin drilling.

14                   Q           And when will you drill the 9-Lives?

15                   A           The 9-Lives will be the third well dril-  
16 led and it will be drilled following the B & B, the new  
17 well on the east half of Section 22.

18                   Q           Mr. Nearburg, do you plan to use the  
19 same rig for drilling each of these wells?

20                   A           Yes, we do.

21                   Q           And by using the same rig and moving  
22 directly from one well to the other, will savings result?

23                   A           Yes. We've obtained significant savings  
24 by signing a contract to drill all three of these wells in  
25 sequence.

1 Q What do the red arrows on this exhibit  
2 indicate?

3 A We had had some concern expressed to us  
4 by the Commission about the proximity of wells to each  
5 other. This is simply meant to indicate that we are far  
6 more than the standard distance required between wells in  
7 this pool.

8 Q And if you were to develop wells, say,  
9 the Perino tract in green and the -- a well in the 9-Lives  
10 tract outlined in orange, how close could those wells be  
11 drilled to one another under the existing statewide rules?

12 A They could be drilled 1320 feet from  
13 each other.

14 Q And what you're proposing is locating a  
15 well substantially in excess of that.

16 A Yes, at least twice the distance requir-  
17 ed by the Commission.

18 Q Mr. Nearburg, will locating the wells as  
19 you have proposed result in an effective drainage pattern  
20 for this Morrow channel?

21 A We believe so. We do not believe that  
22 there will be communication between these wells due to the  
23 character of the Morrow sand.

24 Q Mr. Nearburg, inasmuch as Nearburg owns  
25 100 percent of all the affected spacing and proration units

1 was notice required to be given pursuant to the rules of  
2 the Division?

3 A No. We have been working closely with  
4 everyone in here. We control 100 percent of all the acre-  
5 age. There has been no problem with obtaining joinder of  
6 everyone involved.

7 Q Was Exhibit One prepared by you?

8 A Yes.

9 MR. CARR: At this time, Mr.  
10 Stogner, I would move the admission of Nearburg Exhibit  
11 Number One.

12 MR. STOGNER: Exhibit Number  
13 One will be admitted into evidence at this time.

14 Q Will you call -- will we call a geologi-  
15 cal witness to present technical information on the forma-  
16 tion?

17 A Yes.

18 MR. CARR: That concludes my  
19 direct examination of Mr. Nearburg.

20 MR. STOGNER: Thank you, Mr.  
21 Carr.

22  
23 CROSS EXAMINATION

24 BY MR. STOGNER:

25 Q Mr. Nearburg, which well is presently

1 drilling at this time?

2 A The Perino 23, Case 9427, outlined in  
3 green on Exhibit One.

4 Q And what is the status today of it?

5 A I've been out of the office all week. I  
6 believe it's drilling below 4000 feet. I do not believe  
7 it's reached 5000 feet at this time.

8 Q And what is the proposed TD on that  
9 well?

10 A 9600 feet subsurface.

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

13 A May I add one additional point for the  
14 record, sir?

15 MR. STOGNER: Okay.

16 A This plan of development and the way we  
17 have contracted the rig we believe especially protects  
18 everyone's correlative rights.

19 MR. STOGNER: Thank you, Mr.  
20 Nearburg.

21 Is there anything further of  
22 this witness?

23 He may be excused.

24 Mr. Carr?

25 MR. CARR: At this time we

1 call Louis Mazzullo.

2

3

DIRECT EXAMINATION

4

BY MR. CARR:

5

Q

Will you state your full name for the

6

record, please?

7

A

My name is Louis Mazzullo.

8

Q

Mr. Mazzullo, where do you reside?

9

A

Midland, Texas.

10

Q

By whom are you employed?

11

A

I'm a geological consultant on retainer  
12 to Nearburg Producing Company.

13

Q

Have you previously testified before  
14 this Division and had your credentials as a geologist ac-  
15 cepted and made a matter of record?

16

A

I have.

17

Q

Are you familiar with the applications  
18 filed on behalf of Nearburg in each of these consolidated  
19 cases?

20

A

I am.

21

Q

Have you studied the subject area?

22

A

Yes.

23

MR. CARR: Are the witness'

24

qualifications acceptable?

25

MR. STOGNER: They are.

1           Q           Mr. Mazzullo, would you refer to the  
2 cross section which has been marked Exhibit Number Two,  
3 identify that and review it, please?

4           A           Nearburg Exhibit Number Two is a cross  
5 section which is more or less perpendicular to the direc-  
6 tion of flow of the various Morrow channel systems that  
7 comprise the Morrow reservoir section in this area.

8                       The line of cross section is captioned  
9 in a structure map at the bottom of this exhibit and it's  
10 indicated in red.

11                      The large circle on the index map indi-  
12 cates the circle within which the three locations referred  
13 to in Cases 9425, 26 and 27 are located. This section  
14 again is -- was put together to try to show the lateral  
15 discontinuity of the Morrow sandstones in this particular  
16 are of Eddy County.

17                      The cross -- taking a look at the cross  
18 section, I've identified the top of the Middle Morrow,  
19 which is more or less the top of the highest stratigraphic  
20 reservoir zone in this particular area.

21                      I've also indicated the top of the Bar-  
22 nett Shale, which is the base of the Morrow reservoir sec-  
23 tion in this area.

24                      This is a structural cross section; it's  
25 hung on a subsea, reference subsea is given at 6000 feet on

1 the righthand side of the diagram.

2                   What this cross section shows, that  
3 normal or perpendicular to the flow directions, which in  
4 this area are primarily north to south or northwest to  
5 southeast, that the middle to lower Morrow interval, that  
6 is the interval between the top of the middle Morrow and  
7 the top of the Barnett Shale, is characterized by a number  
8 of laterally moderate -- laterally discontinuous, moderate-  
9 ly bedded sandstones, which oftentimes cannot be establish-  
10 ed -- you cannot establish stratigraphic equivalents from  
11 one well to the other.

12                   For example, on this well the third log  
13 from the left -- on this cross section, rather, is the new-  
14 ly completed Nearburg No. 126 Boyd State. The producing  
15 zone, or the zone which has been perforated, is indicated  
16 by the perforation symbols below 9400 feet on this log. If  
17 you'll notice the RFT pressures indicated on the side of  
18 this log vary between 3864 and 4070 pounds. These are con-  
19 sidered to be virgin formation pressures as they compare to  
20 some of the virgin pressures obtained on drill stem tests  
21 on surrounding wells. but were run several years prior to  
22 completion of this well. Virgin formation pressures in  
23 this area are around 3800 to 3900 pounds, including those  
24 in the Coquina well on the lefthand side of the cross sec-  
25 tion, which were -- which was completed in an upper part of

1 a Morrow reservoir section within two major sand bodies.  
2 That well has made over 2-1/2 BCF of gas since it was com-  
3 pleted in 1973. It showed virgin formation pressures of  
4 3840 pounds on drill stem tests. Compare that to the simi-  
5 lar pressures we have obtained on the Boyd State 26-1, it's  
6 clear -- and the fact that the zone that we're producing  
7 out of in the 26-1 is stratigraphically lower, this in my  
8 mind concludes that the zones are not in communication and  
9 that there is lateral discontinuity among the various sands  
10 in the area.

11 Q Mr. Mazzullo, will additional develop-  
12 ment in this area provide an opportunity to perhaps inter-  
13 cept stringers that are not currently being produced?

14 A Yes. The proposed location that I have  
15 indicated on this cross section is one example of what we  
16 might come across in any one of the three wells that we're  
17 proposing to drill. Every well is going to come up with a  
18 different section. We're not necessarily going to get the  
19 same sands, even though the wells are spaced the way they  
20 are. We're not necessarily going to intersect the same  
21 sands because there are numerous different thin bedded,  
22 moderately bedded packages depending on where you are in  
23 this part of the township.

24 Q Would you now refer to what has been  
25 marked as Nearburg Exhibit Number Three, a type log, and

1 review that for the Examiner?

2           A           Let me preface Exhibit Number Three with  
3 a statement regarding the type of work that I've done in  
4 this area.

5                       I've been involved for several years in  
6 mapping the Morrow. I've had numerous publications on the  
7 Morrow and I've found through an extensive amount of exper-  
8 ience trying to work it that it's a very tough formation to  
9 deal with in terms of correlations.

10                      The best way that I have found to repre-  
11 sent the formation and its producing capabilities is to  
12 take a gross isopach of net sand and what I consider to be  
13 productive porosity in the Morrow interval and try to --  
14 and to generate a map based upon that.

15                      In other words, the cross section does-  
16 n't tell the whole story. Just because you have a lot of  
17 sands doesn't -- doesn't imply that you're going to have a  
18 lot of reservoir rock. There are a lot of other factors  
19 that go into making a Morrow reservoir, not the least of  
20 which are secondary plugging of porosity, structure to a  
21 certain extent, things like that.

22                      So what I've attempted to do with the  
23 type log is to show you how I've gone about mapping the  
24 area.

25                      This is a type log from the 26-1 Boyd

1 State, which we just completed last week. It shows the  
2 same interval that I've captioned on the cross section from  
3 the top of the Middle Morrow to the top of the Barnett  
4 Shale.

5 It also shows in the lefthand column the  
6 gamma ray curve. It shows a 50 unit API gamma ray cutoff  
7 that I used to establish a -- what is a clean sand in this  
8 area, so anything below 50 units API is considered clean  
9 sand. These clean sands are indicated by the color yellow  
10 on the gamma ray log.

11 On the righthand side of this log is a  
12 compensated neutron formation density log and because of  
13 the affects of neutron crossover with the presence of gas  
14 in these sands, I take the density porosity as a measure of  
15 reservoir quality and I use a cutoff of 8 percent density  
16 porosity. It's arbitrary to a certain extent; the 8 per-  
17 cent cutoff seems to be what is the best producing -- any-  
18 thing above 8 percent seems to produce best in this area  
19 and anything over 8 percent porosity in those same clean  
20 sands is indicated by red on the density log. So you can  
21 see that although there are something on the order of 38  
22 feet of clean sand, that there's only about 16 feet of what  
23 I consider to be potentially productive porosity in this  
24 well, and that 16 feet is confined more or less to the in-  
25 terval that we've actually perforated in this well from

1 9420 to 9435, approximately.

2 I've done a similar type of log analysis  
3 on every Morrow well in this area. As a matter of fact,  
4 I've done it in an area comprising approximately four town-  
5 ships around this area and have taken each well in turn and  
6 figured net clean sand, as shaded in yellow on this log,  
7 and net porosity over 8 percent, indicated by the red, and  
8 have mapped a data point for each well based on these cut-  
9 off criteria.

10 Q All right, would you now go to Exhibit  
11 Number Four and identify that, please?

12 A Exhibit Number Four is a portion of the  
13 net sandstone porosity quality map that I've generated as a  
14 result of this type of log analysis I've just described  
15 from the previous exhibit.

16 It shows the total net sand from each  
17 well, the value -- each value on each well is the total net  
18 sand in the Lower to Middle Morrow interval.

19 The dotted pattern on the map indicates  
20 those areas where there is greater or -- greater than 10  
21 feet of 8 percent porosity in that same net sand package in  
22 each well.

23 The blue dot and blue arrow point to the  
24 proposed location for the No. 2 B & B Well, which I believe  
25 is Case 9425.

1                   The red dot with the flaming orange  
2 arrow points to the 9-Lives 26-1 Well, which is believe is  
3 9426, is that right, Mr. Carr?

4                   MR. CARR: Yes.

5                   A           And the black arrow pointing to the open  
6 triangle signifies the currently drilling No. 2 Perino Well  
7 which Mr. Nearburg has said is drilling somewhere below  
8 4000 feet at the current time.

9                   The proration units assigned to each one  
10 of these proposed or drilling wells are indicated by the  
11 yellow outlines. The arrows, the blue arrows that you see,  
12 indicate the throw directions of the various -- the primary  
13 flow directions of the various sands that make up the mid-  
14 dle to lower Morrow interval. These flow directions are  
15 based on dipmeter data that we've acquired at least two of  
16 the wells in this area, including the No. 26 (unclear).

17                   What this shows is that in each case,  
18 each proposed location is assumed to be located within the  
19 potentially productive fairway, porosity, net sand fairway  
20 defined by the dotted pattern, and that movement of any one  
21 of these locations away from the location -- away from the  
22 proposed locations, may result in getting out of the fair-  
23 way and into an adverse situation where we'd get into  
24 either thin sands or tight sands.

25                   For example, in the case of the No. 20

1 -- the well in Section 22, the No. 2 B & B, if we were to  
2 move that well any -- to the west any distance at all, we'd  
3 risk the chance of being completely out of the porosity  
4 fairway.

5 If we moved the 9-Lives 26-1 to the  
6 east, we'd not only be out of the fairway but we'd be get-  
7 ting into a down dip position, regional dip being to the  
8 east, where we might chance -- risk the chance of getting  
9 into the water, as these reservoirs do contain water.

10 The same situation applies to the No. 2  
11 Perino in Section 23.

12 Q Now, Mr. Mazzullo, if we look at those  
13 exhibits there are triangles in Section 22 and 23 for the  
14 existing Nearburg wells on those --

15 A Right.

16 Q -- spacing units, and both of those  
17 would be outside the Fairway, as you had interpreted.

18 A Yes. Those -- those two wells, the No.  
19 1 B & B and the No. 1 Perino, bracket the fairway. The No.  
20 26 Boyd State, which is in the southwest quarter of Section  
21 26, just defines the edge, or close to the edge of the  
22 fairway. As I've already stated, it's only got about 14 or  
23 16 feet of porosity in it.

24 Q Would you now refer to what has been  
25 marked Nearburg Exhibit Number Five, the structure map, and

1 review that, please?

2           A           Exhibit Number Five is a structure map  
3 that was drawn using the top of the Middle Morrow, as I  
4 have captioned it in the previous Exhibits Number Two and  
5 Three, the top of the Middle Morrow. The wells that are  
6 shown by the triangular symbols are wells that are operated  
7 by Nearburg Producing Company. All the other wells in the  
8 area are wells that have penetrated the Morrow. There are  
9 certain shallow wells that are not shown on this map; wells  
10 that did not TD in the Morrow.

11                       Again the blue dot refers to the well  
12 referenced in Case 20 -- 24 -- 9425, the No. 2 B & B.

13                       The red dot and flaming orange arrow,  
14 the 9-Lives 26 Well; and the black arrow open triangle, the  
15 Perino No. 2.

16                       Again, structure is -- these are prim-  
17 arily stratigraphic traps that we're involved in in the  
18 Morrow. Structure's role, the role of structure in this  
19 area is to define the gas/water contacts which appear to be  
20 significant, a significant factor in several of the sands.

21                       Movement of -- particularly the No. 23,  
22 the well in Section 23, the No. 2 Perino, the No. 1 9-Lives  
23 in Section 26, movement of those wells anywhere to the east  
24 of where we're proposing them increases the risk of being  
25 in wet reservoir. As it is right now, we might -- we might

1 get some water production in either one of those locations  
2 but if you move it to the east any more you'd certainly  
3 increase your risk substantially.

4 So I'm -- part of the intent of locating  
5 these wells where they are is to stay as far up-dip as  
6 possible.

7 Q Will approval of the applications and  
8 the locations proposed by Nearburg in your opinion result  
9 in an effective drainage pattern?

10 A Yes, I believe it would.

11 Q Will it result in the production of  
12 hydrocarbons from this Morrow sand that might not otherwise  
13 be produced?

14 A Yes, it would increase the number of  
15 potential pay zones that we'd be able to tap.

16 Q And do you believe that granting these  
17 applications would be in the best interest of conservation,  
18 the prevention of waste, and the protection of correlative  
19 rights?

20 A Yes.

21 Q Were Exhibits Two through Five prepared  
22 by you?

23 A They were.

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

1 Two through Five.

2 MR. STOGNER: Exhibits Two  
3 through Five will be admitted into evidence at this time.

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

6

7

CROSS EXAMINATION

8 BY MR. STOGNER:

9 Q Mr. Mazzullo, the call in Case 9426  
10 states to the Pennsylvanian formation. Is it your intent  
11 to check or test any of the other formations in the Penn-  
12 sylvanian zone in this area or are they known to be pro-  
13 ductive, such as the Cisco?

14 A Yeah, the Cisco Canyon in this area is  
15 productive off to the west/northwest and there may or may  
16 not be potential in that particular formation, which we  
17 probably wouldn't test on the way down because it's an ex-  
18 tremely porous formation and probably it would be very hard  
19 to test, but we are going to have a mudlogging unit on the  
20 well at that time.

21 We don't foresee any other potential in  
22 the Pennsylvanian between the Cisco Canyon and the Morrow.

23 I might add that the nearest Cisco  
24 Canyon producer is in the northeast quarter of Section 21.  
25 It's operated by Anadarko and it's been a marginal producer

1 since it went on stream several years ago. That's the  
2 nearest production. I don't know whether or not that's  
3 going to help set up anything for us.

4 MR. STOGNER: I have no fur-  
5 ther questions for this witness.

6 Is there anything further in  
7 any of these three cases, Mr. Carr?

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

10 MR. STOGNER: Mr. Mazzullo,  
11 you may step down.

12 If there is nothing further in  
13 these three cases, 9425, 9426, 9427, these cases will be  
14 taken under advisement.

15

16 (Hearing concluded.)

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 Nos. 9425, 9426, 9427 heard by me on 20 July 1988.  
[Signature], Examiner  
Oil Conservation Division

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

6  
7  
8 6 July 1988

9 EXAMINER HEARING

10 IN THE MATTER OF:

11 Application of Nearburg Producing Company for an unorthodox gas well location and simultaneous dedication, Eddy County, New Mexico. CASE 9427

12 BEFORE: David R. Catanach, Examiner

13  
14  
15 TRANSCRIPT OF HEARING

16  
17  
18 A P P E A R A N C E S

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

23 For the Applicant:  
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

MR. CATANACH: Call next Case  
Number 9427

MR. STOVALL: Application of  
Nearburg Producing Company for an unorthodox gas well loc-  
ation and simultaneous dedication, Eddy County, New Mexico.

The applicant has requested  
that Case No. 9427 be continued.

MR. CATANACH: Case No. 9427  
will be continued to the Examiner Hearing July 20, 1988.

(Hearing concluded.)

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. 9427 heard by me on July 6 1988.  
David R. Catanzano, Examiner  
Oil Conservation Division