

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

11 May 1988

EXAMINER HEARING

IN THE MATTER OF:

Application of Nearburg Producing Company to amend Division Order No. R-8605 and the assignment of an oil allowable retroactive to April 1, 1988, Lea County, New Mexico. CASE 9376

BEFORE: David R. Catanach, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division: Charles E. Roybal
Attorney at Law
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

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MR. CATANACH: Call next Case
9376.

MR. ROYBAL: Case 9376.
Application of Nearburg Producing Company to amend Division
Order No. R-8605, and the assignment of an oil allowable
retroactive to April 1, 1988, Lea County, New Mexico.

MR. CATANACH: The applicant
has requested that this case be continued to May 25th, 1988,
and also I'd like to add that we will have to readvertise
this case for the June 8th, 1988, hearing.

(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 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. 9376, heard by me on May 11 1988.

David R. Catanach, Examiner
Oil Conservation Division

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

25 May 1988

EXAMINER HEARING

IN THE MATTER OF:

Application of Nearburg Producing Company to amend Division Order No. R-8605 and the assignment of an oil allowable retroactive to April 1, 1988, Lea County, New Mexico. CASE 9376

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division: Charles E. Roybal
Attorney at Law
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

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MR. STOGNER: Call next Case
Number 9376.

MR. ROYBAL: Case 9376. Appli-
cation of Nearburg Producing Company to amend Division Order
NO. R-8605 and the assignment of an oil allowable retroac-
tive to April 1, 1988, Lea County, New Mexico.

MR. STOGNER: At the request of
the applicant Case 9376 will be continued to the Examiner
hearing scheduled for June 8th, 1988.

(Hearing concluded.)

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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 the best of my ability.

Sally W. Boyd CSE

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 9376,
heard by me on 25 May 1988.
Michael E. Steiner, Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

8 June 1988

EXAMINER HEARING

IN THE MATTER OF:

Application of Nearburg Producing CASE
Company to amend Division Order No. 9376
R-8605 and the assignment of an oil
allowable retroactive to April 1, 1988,
Lea County, New Mexico.

BEFORE: David R. Catanach, Examiner

A P P E A R A N C E S

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

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

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I N D E X

STATEMENT BY MR. CARR 3

MARK NEARBURG

Direct Examination by Mr. Carr 4

Cross Examination by Mr. Catanach 10

LOUIS J. MAZZULLO

Direct Examination by Mr. Carr 11

Cross Examination by Mr. Catanach 16

E X H I B I T S

Nearburg Exhibit One, Land Map 7

Nearburg Exhibit One-A, Order 7

Nearburg Exhibit Two, Notices and Return Rec. 8

Nearburg Exhibit Three, Structure Map 12

Nearburg Exhibit Four, Cross Section 14

1 MR. CATANACH: Call Case 9376,
2 which is the application of Nearburg Producing Company to
3 amend Division Order No. R-8605, and the assignment of an
4 oil allowable retroactive to April 1st, 1988, Lea County,
5 New Mexico.

6 Are there appearances in this
7 case?

8 MR. CARR: May it please the
9 Examiner, my name is William F. Carr, with the law firm
10 Campbell & Black of Santa Fe. We represent Nearburg Pro-
11 ducing Company and I have two witnesses.

12 MR. CATANACH: Any other ap-
13 pearances?

14 Will the witnesses please
15 stand to be sworn in?

16
17 (Witnesses sworn.)
18

19 MR. CARR: May it please the
20 Examiner, Order R-8605, entered March 8th of this year ap-
21 proved a nonstandard location for the Soledad 19M No. 1
22 Well.

23 But since the order was enter-
24 ed, the well has been completed and tested and we're now
25 back asking to expand the spacing unit 100.81 acres.

1 If it wasn't due to a survey variation,
2 we would be seeking a standard 80-acre unit, but there is a
3 survey variation, and so what we really have is an appli-
4 cation for a unit comprised of the west half of the south-
5 west quarter in Section 19, Township 16 South, Range 36
6 East.

7 The case has also been advertised for a
8 retroactive oil allowable back to April 1. We do want to
9 amend that at that time. We're only seeking the allowable
10 to be effective from June 1 forward.

11 And with that, I'd call our first wit-
12 ness, Mark Nearburg.

13
14 MARK NEARBURG,
15 being called as a witness and being duly sworn upon his
16 oath, testified as follows, to-wit:

17
18 DIRECT EXAMINATION

19 BY MR. CARR:

20 Q Will you state your full name and place
21 of residence?

22 A I'm Mark Nearburg, Dallas, Texas.

23 Q Mr. Nearburg, by whom are you employed
24 and in what capacity?

25 A Nearburg Producing Company, Land Mana-

1 ger.

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

5 A Yes.

6 Q Are you familiar with the application
7 filed in this case concerning the Soledad 19M No. 1 Well?

8 A Yes.

9 Q Are you familiar with the surrounding
10 acreage?

11 A Yes.

12 MR. CARR: Are Mr. Nearburg's
13 qualifications acceptable?

14 MR. CATANACH: They are.

15 Q Mr. Nearburg, would you briefly state
16 what you seek with the application?

17 A Nearburg seeks to amend Division Order
18 R-8605 and the assignment of an oil allowable retroactive
19 to June 1, 1988.

20 We seek to amend the order to include
21 Lot 3 in the proration unit composing the west half south-
22 west quarter of Section 19.

23 Q What is the location of the Soledad M
24 Well No. 1

25 A 1000 feet from the west feet and 1000

1 feet from the south line.

2 Q And in what pool is it completed?

3 A Northeast Lovington Penn.

4 Q And the spacing for that pool is 80-acre
5 spacing?

6 A Yes.

7 Q The well was drilled and completed in
8 March of this year?

9 A Yes.

10 Q What is the well's current status?

11 A The well has been producing at the al-
12 lowable for the Lot 4 unit assigned to it.

13 Q And what is the current allowable as-
14 signed to the well?

15 A 6.67 barrels per acre.

16 Q And that results in an allowable of
17 what, do you know?

18 A On an 80-acre unit -- well, on a 50-acre
19 unit that would be approximately 350 barrels a day. We've
20 been producing the well at about 325 barrels a day.

21 Q And what would be the affect on the al-
22 lowable of the amendment that you're seeking here today?

23 A It would allow us to go to a more stand-
24 ard proration unit and increase the allowable more in line
25 with what the Commission would allow.

1 Q For an 80-acre unit.

2 A For an 80-acre unit, yes.

3 Q Would you refer to what has been marked
4 as Nearburg Exhibit Number One, identify this, and explain
5 what it shows?

6 A Well, this is a land map showing the
7 proposed west half southwest quarter unit with the well
8 indicated by the red dot.

9 Q What is the ownership of Lot 3, which
10 you now seek to add to the proration unit?

11 A Cities Service Oil Company, or OXY USA
12 --

13 Q And what is the --

14 A -- owns 100 percent of Lot 3.

15 Q And you have been in contact with Cities
16 on this matter?

17 A Yes. We've reached agreement with
18 Cities to include Lot 3 in the unit.

19 Q And will Cities, or OXY, share in pro-
20 duction from this well from the date of first production?

21 A Yes, they will.

22 Q Would you now refer to what has been
23 marked as your Exhibit One-A and identify that?

24 A That's the order that was entered March
25 8th, 1988, approving the well location and nonstandard

1 50-acre proration unit.

2 Q Has notice been given to the other
3 interest owners in this section as required by Oil Con-
4 servation Division Rule 1207?

5 A Yes.

6 Q And all interest owners in the quarter
7 quarter section that are potentially being excluded from
8 the nonstandard unit have been notified.

9 A Yes.

10 Q Would you identify for Mr. Catanach
11 Nearburg Exhibit Number Two?

12 A Exhibit Number Two are the notices that
13 were mailed to offset owners for this hearing.

14 Q And attached to these letters are their
15 return receipts?

16 A Yes.

17 Q You are requesting that the allowable to
18 retroactive to June 1. How are you producing the well at
19 this time?

20 A On June 1 we increased the well's pro-
21 duction to approximately 425 barrels a day, pending an
22 order on this case.

23 Q Will you be able to regulate the well's
24 flow so as not to get it in an overproduced status vis-a-
25 vis it's oil allowable?

1 A Yes, we've been careful not to allow it
2 to be overproduced.

3 Q In your opinion will granting this ap-
4 plication be in the interest of conservation, the preven-
5 tion of waste and the protection of correlative rights?

6 A Yes.

7 Q Does Nearburg Producing Company request
8 that this order be expedited?

9 A Yes.

10 Q Were Exhibits One, One-A, and Two
11 prepared by you or compiled under your direction?

12 A Yes.

13 MR. CARR: At this time, Mr.

14
15 Catanach, we would offer Nearburg Exhibits One, One-A, and
16 Two.

17 MR. CATANACH: Nearburg Exhi-
18 bits One, One-A and Two will be admitted as evidence.

19 Q Mr. Nearburg, will you also call a geo-
20 logical witness to discuss the geology underlying the pro-
21 posed nonstandard unit?

22 A Yes.

23 MR. CARR: That concludes my
24 direct examination of Mr. Nearburg.

25

CROSS EXAMINATION

1
2 BY MR. CATANACH:

3 Q Mr. Nearburg, are there other -- other
4 producing -- Northeast Penn producing wells in this
5 section?

6 A I'd defer that to the geologist. I be-
7 lieve there are but not in proximity to the well, to the
8 Soledad Well.

9 Q Okay. Do you know of any other prora-
10 tion units that exist in Section 19?

11 A Lot 2 is a nonstandard proration unit
12 operated by Getty. I believe that well is still producing.
13 That's the southwest quarter northwest quarter.

14 Getty has a nonstandard 40-acre prora-
15 tion unit in the northeast quarter northwest quarter that
16 is still producing.

17 I believe those are the only producing
18 wells in this section and they both produced from the
19 Strawn Pool.

20 Q Will your proposed proration unit have
21 any adverse affect on the continued development in the
22 section?

23 A No, it's our opinion it will enhance the
24 development.

25

1 MR. CATANACH: That's all I
2 have. The witness may be excused.

3 MR. CARR: At this time we'd
4 call Mr. Mazzullo

5
6 LOUIS J. MAZZULLO,
7 being called as a witness and being duly sworn upon his
8 oath, testified as follows, to-wit:

9
10 DIRECT EXAMINATION

11 BY MR. CARR:

12 Q Will you state your full name for the
13 record, please?

14 A My name is Louis Mazzullo.

15 Q Mr. Mazzullo, where do you reside?

16 A Midland, Texas.

17 Q By whom are you employed and in what
18 capacity?

19 A I'm a petroleum geological consultant on
20 retainer to Nearburg Producing Company.

21 Q Have you previously testified before
22 this Division and had your credentials as a petroleum
23 geologist accepted and made a matter of record?

24 A Yes.

25 Q Are you familiar with the application

1 filed in this case on behalf of Nearburg Producing Company?

2 A I am.

3 Q Are you familiar with the subject
4 Soledad Well and the surrounding area?

5 A Yes.

6 MR. CARR: Are the witness'
7 qualifications acceptable?

8 MR. CATANACH: They are.

9 Q Mr. Mazzullo, would you refer to what
10 has been marked as Nearburg Exhibit Number Three, identify
11 this exhibit and review it for Mr. Catanach?

12 A Exhibit Number Three is a geological
13 structure map drawn at the top of the Strawn formation,
14 which is the local producing formation of interest in the
15 Soledad Well.

16 It shows 50 foot contours and it shows
17 the location of the Soledad Well indicated by the yellow
18 dot; the location -- the approximate outline of the 80+
19 acre proration unit that's the subject of this hearing in
20 yellow, and it also shows in solid black symbols all the
21 Strawn wells that have or still are -- have been or still
22 are productive.

23 Q Are those producing or have been produc-
24 ing from the Northeast Pennsylvanian Pool?

25 A Yes, the Northeast Lovington Pool. The

1 wells that have the vertical -- the diagonal slashes
2 through them have been plugged and abandoned from the
3 Strawn.

4 Q What is shown by the stippled area or
5 the shaded area?

6 A The stippled area indicates porosity;
7 the presence of a porous reef facies in the Strawn carbon-
8 ate. All the wells that you see that are productive from
9 the Strawn pay from what appears to be a continuous poro-
10 sity fairway that's indicated by the various stippled
11 patterns on the map.

12 The map also shows that the No. 1
13 Soledad is up-dip to the plugged producer in the northeast
14 of the southwest quarter. That's the Monteith No. 2, which
15 has -- which had produced 140 -- the Southwest Production
16 No. 2 Monteith, excuse me, which produced 146,000 barrels
17 of oil before being plugged in 1976.

18 The Soledad Well is also up-dip of a
19 plugged producer in the northeast southeast of Section 24,
20 which produced 4115 barrels of oil before it was plugged.

21 The No. 1 Soledad and the No. 2
22 Monteith, which are both in the southwest quarter of Sec-
23 tion 19, are close to the seaward edge of this patch reef,
24 productive patch reef as in the Strawn; whereas the well in
25 the northeast southeast of Section 24 is on the landward

1 edge of the productive patch reef in the Strawn.

2 By this interpretation I show the
3 productive fairway to be optimally developed both west,
4 southwest, and northwest of the No. 1 Soledad. By this
5 interpretation, then, the No. 1 Soledad should be draining
6 an area which includes the entire proration unit as we have
7 it outlined on this map.

8 Q What information did you use in con-
9 structing this interpretation?

10 A This interpretation was -- was drawn on
11 the basis of detailed sample analysis and subsurface map-
12 ping, using existing well logs and to a limited extent
13 seismic information.

14 Q On this exhibit there is a trace marked
15 A-A'. Is that for the cross section which is Exhibit Num-
16 ber Four?

17 A Yes.

18 Q Would you go to that now and review that
19 for Mr. Catanach?

20 A Exhibit Number Four is a west to east
21 cross section, which includes the -- the well to the west,
22 which is on the fore -- which is on the shoreward side of
23 the patch reef that's productive in this area.

24 Proceeding eastward to the No. 1 Soledad
25 and again eastward to the No. 2 Monteith, the latter two

1 wells which are productive from near the seaward margin of
2 the same patch reef.

3 The No. 1 Soledad and the No. 2 Mon-
4 teith State both show thin interbeds of tight fore-reef
5 carbonate, whereas the No. 1-C Monteith, which is on the
6 left side of this cross section, which is shoreward of the
7 patch reef, shows very thin bedded porous carbonate, inter-
8 bedded with shallower marine-type limestones.

9 The optimum development of the reef
10 porosity, then, as I showed on this cross section, is
11 somewhere between the No. 1 Soledad and the No. 1-C Mon-
12 teith to the west.

13 This shows that the reef is pinching out
14 in a westward direction, shoreward, and also in an eastward
15 direction, basinward.

16 Structurally even though the reef core
17 may be a few feet lower than in the No. 1 Soledad, the No.
18 1 Soledad nevertheless in my opinion is communicating with
19 the reef core to the west, southwest, and northwest of the
20 No. 1 Soledad.

21 Q Mr. Mazzullo, is it your opinion that
22 this well will effectively and efficiently drain the non-
23 standard proration which Nearburg proposes to dedicate to
24 it?

25 A Yes, based upon geologic evaluation it

1 will.

2 Q In your opinion will granting this
3 application be in the interest of conservation, the
4 prevention of waste, and the protection of correlative
5 rights?

6 A Yes.

7 Q Were Exhibits Three and Four prepared by
8 you?

9 A Yes, they were.

10 MR. CARR: At this time, Mr.
11 Catanach, I would move the admission of Nearburg Exhibits
12 Three and Four.

13 MR. CATANACH: Nearburg Exhi-
14 bits Three and Four will be admitted into evidence.

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

17

18 CROSS EXAMINATION

19 BY MR. CATANACH:

20 Q Mr. Mazzullo, in your opinion you -- you
21 wouldn't need another well on that proration unit to drain
22 that acreage.

23 A I don't think so, Mr. Catanach. The
24 wells, as our engineer has suggested by his evaluation --
25 Nearburg's engineer has suggested by his evaluation, drain

1 an area that's more than adequate to drain most of the
2 north part of the proration unit as we have it drawn here.

3 The rocks are extremely porous. They're
4 extremely permeable, and there is pressure communication.
5 There is a drawdown of pressure that we can see from the
6 original borehole pressure in the No. 1-C Monteith, or the
7 No. 2 Monteith, rather, that we see when we ran RFT (sic)
8 surveys in the No. 1 Soledad. There was several hundred
9 pounds of drawdown, so there is no doubt communication
10 over that large an interval.

11 Q Which well is that to the northeast of
12 the Soledad?

13 A That's the No. 2 Monteith, the Southwest
14 Production No. 2.

15 Q Operated by Southwest --

16 A Southwest Production. It's been plugged
17 since 1976.

18 Q I see.

19 A And, again, we're draining an area to
20 the north of the No. 1 Soledad. We're draining an area of
21 the proration unit that is down-dip of the No. 1 Soledad,
22 so we have the extra lift provided by being at least 50
23 foot up-dip to the north part of the proration unit.

24 Q What is the Soledad capable of producing
25 at this time?

1 A It's producing -- it could produce 425
2 barrels a day easily as it is right now but ultimately I
3 don't know what it's capable of producing. I couldn't
4 answer that.

5 Q The well in Section 24, is that the
6 Monteith No. 1?

7 A That's the Monteith No. 1-C.

8 Q 1-C

9 A And again Southwest Production.

10 Q And how much oil did that well produce?

11 A Oh, it made 4,115 barrels before it was
12 plugged.

13 Q And what about the Monteith No. 2, do
14 you know how much that produced?

15 A 146,000 barrels.

16 Q The well directly north in Lot 2, it
17 looks like, is that -- that's currently plugged and
18 abandoned?

19 A Not -- no, that's one of the two wells
20 that Mr. Nearburg indicated were still producing, I think.
21 Is that a Getty well in Lot 2?

22 MR. CATANACH: That's about
23 all I have. The witness may be excused.

24 Is there anything further in
25 this case?

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MR. CARR: Nothing further.

MR. CATANACH: If not, it will
be taken under advisement.

(Hearing concluded.)

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Oil Conservation Division, Examiner