

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

6 8 June 1988

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Nearburg Producing Company for a non-standard oil pro- CASE  
10 ration unit and an unorthodox oil well location, Lea County, New Mexico. 9404

11  
12  
13 BEFORE: David R. Catanach, Examiner

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

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

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

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## I N D E X

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1 MR. CATANACH: Call next Case  
2 9404.

3 MR. STOVALL: Application of  
4 Nearburg Producing Company for a nonstandard oil proration  
5 unit and an unorthodox oil well location, Lea County, New  
6 Mexico.

7 MR. CARR: May it please the  
8 Examiner, my name is William F. Carr with the law firm  
9 Campbell & Black of Santa Fe.

10 I have two witnesses in this  
11 case, Mark Nearburg and Louis Mazzullo.

12 I request that the record  
13 reflect that they have previously been qualified and remain  
14 under oath.

15 MR. CATANACH: Let the record  
16 so reflect that.

17 Mr. Carr, you may proceed.

18  
19 MARK NEARBURG,  
20 having been previously sworn and qualified and remaining  
21 under oath, testified as follows, to-wit:

22  
23 DIRECT EXAMINATION

24 BY MR. CARR:

25 Q Mr. Nearburg, are you familiar with the

1 application filed in this case for the Soledad State 30-E  
2 Well No. 1?

3 A Yes.

4 Q Are you familiar with the subject -- or  
5 the surrounding area?

6 A Yes.

7 Q Would you briefly state what you seek  
8 with this application?

9 A Seek the approval of a nonstandard oil  
10 proration unit due to survey variation and an unorthodox  
11 oil well location to test the Strawn formation in the  
12 Northeast Lovington Pennsylvanian Pool.

13 Q Will you refer to what's been marked for  
14 identification as Nearburg Exhibit Number One, identify  
15 that and review it for Mr. Catanach?

16 A This is a land map showing the proposed  
17 proration unit being the west half northwest quarter of  
18 Section 30 with the well location indicated with the red  
19 dot.

20 Q Does this also indicate offsetting  
21 ownership?

22 A Yes, it does.

23 Q And this is an offset to the wells that  
24 were the subject of the two previous hearings?

25 A Yes.

1           Q           And this is acreage that is controlled  
2 and being developed by Nearburg?

3           A           Yes.

4           Q           Would you now go to Exhibit Number  
5 Three; there is no exhibit number two.

6                        Would you identify this, please?

7           A           Exhibit number two are the letters  
8 mailed to offset owners.

9           Q           That's Exhibit Number Three?

10          A           Exhibit Three are the letters mailed to  
11 offset owners notifying them of the hearing --

12                       MR. STOVALL: Mr. Carr, excuse  
13 me just a second. I've got that identified as Exhibit Two  
14 on mine, the affidavit --

15                       MR. CATANACH: So do I.

16                       MR. CARR: All right, then we  
17 have no Exhibit Number Three, I guess. We're having a hard  
18 time. We have a number of cases that are in the same area.

19                       MR. CATANACH: I didn't know  
20 that.

21          Q           All right, this is Exhibit Number Two.

22          A           Yes. These are the letters mailed to  
23 offset owners with return receipts.

24          Q           And do these offsetting -- have these  
25 offsetting owners entered agreements with Nearburg for the

1 development of the offsetting lands?

2 A Yes, they have.

3 Q Were Exhibits One and Two prepared by  
4 you or compiled under your direction?

5 A Yes.

6 MR. CARR: At this time, Mr.  
7 Catanach, we would offer Nearburg Exhibits One and Two.

8 MR. CATANACH: Exhibits One  
9 and Two will be admitted as evidence.

10 MR. CARR: I have nothing  
11 further of Mr. Nearburg in this case.

12

13 CROSS EXAMINATION

14 BY MR. CATANACH:

15 Q Mr. Nearburg, you've also entered into  
16 agreements with these offset operators?

17 A Yes.

18 Q To develop all this acreage?

19 A Yes.

20 Q Are there any other Strawn wells in  
21 Section 30 that you -- that you know of?

22 A There has been a recent Strawn well  
23 drilled, I believe, in the south -- northeast quarter  
24 southeast quarter, by Tipperary.

25 It was a dry hole and is currently being

1 sidetracked to the east.

2 Q I'm not sure exactly where you're coming  
3 up with these offset operators. I don't see them on the  
4 lease map at all.

5 A Well, this area took approximately three  
6 years to put together and reach all the agreements.

7 Q Uh-huh.

8 A There's not enough room on the land map  
9 to indicate all the owners.

10 And basically the map companies take the  
11 largest owner they can find and put that on the map,  
12 leaving out all the smaller owners.

13 An example of that is the Yates owner-  
14 ship in Section 24, which is actually owned by Yates Petro-  
15 leum Company, Abo Company, Yates Drilling Company, MYCO  
16 Industries, Inc. Those are all subsidiaries of the Yates,  
17 or variations of the Yates Petroleum Company.

18 Q What -- what source did you use to get  
19 all your land information?

20 A County records, the abstracts and the  
21 county records and records in the State Land Office and the  
22 BLM.

23 Q You don't have any written agreements  
24 with any of these (unclear) do you?

25 A Yes, we have formal written agreements

1 with all of these people.

2 You'd know them as farmout agreements.

3 Q So can you -- can you describe for me  
4 exactly what acreage you do control in the farmout  
5 agreements?

6 A Yes. All of the northwest quarter of  
7 Section 30. All of Section 19 excepting -- it would be  
8 with the exception of Lot 2, the northeast quarter  
9 northwest quarter. The northwest quarter northeast  
10 quarter, we do not own that; that's owned by Texaco.

11 Q The northeast quarter of the northwest  
12 quarter.

13 A Yes, and we have an undivided but not  
14 complete ownership under the east half northeast quarter.

15 That is owned by a voluminous number of  
16 people.

17 Q Okay.

18 A We also control -- well, the northwest  
19 quarter of Section 30, the north half northeast quarter of  
20 Section 30.

21 Q Okay.

22 A The north half northeast quarter of  
23 Section 25.

24 The south half southeast quarter of  
25 Section 24.

1 Q Is that it?

2 A Yes.

3 MR. CATANACH: That's all I  
4 have.

5 The witness may be excused.

6 MR. CARR: At this time we'd  
7 call Mr. Mazzullo.

8  
9 LOUIS J. MAZZULLO,  
10 being previously sworn and qualified and remaining under  
11 oath, testified as follows, to-wit:

12  
13 DIRECT EXAMINATION

14 BY MR. CARR:

15 Q Mr. Mazzullo, are you familiar with the  
16 application filed in this case?

17 A Yes, I am.

18 Q Would you refer to what has been marked  
19 Nearburg Exhibit Number Four and relate that exhibit to  
20 this particular application?

21 A Exhibit Number Four again is the Strawn  
22 structure map, a structure map drawn on the top of the  
23 Strawn formation on 50 foot contour intervals based upon  
24 well top information, limited amount of seismic work.

25 It shows again in stippled patterns

1 those areas of porous Strawn Reef development which  
2 comprise the reservoir facies in this particular part of  
3 the Lovington Northeast Pool.

4                   It also shows the location of the  
5 Soledad No. 30 D-1 in the northwest quarter of Section 30  
6 by the red dot.

7                   The No. 30 D-1 is projected to be about  
8 50 feet up-dip of the No. 1 Soledad in Section 19, which  
9 is currently producing from this same porous reef -- reef  
10 trend I believe to extend south and southwestward into the  
11 northwest quarter of Section 30.

12                   The productive -- the nonstandard loca-  
13 tion will allow us to get up-dip of production in the No. 1  
14 Soledad. The location close to the west -- the west sec-  
15 tion line will hopefully allow us to be a little bit fur-  
16 ther into the reef core, approximately in the same strati-  
17 graphic type situation as we have in the No. 1 Soledad.

18                   In other words, we are trying to avoid  
19 getting too seaward in this case of the productive reef  
20 facies.

21                   Q           Now the stippling on this exhibit again  
22 indicates the area you believe to be potentially produc-  
23 tive?

24                   A           Yes.

25                   Q           And the stippling stops right at the

1 well location. Now what does that indicate?

2 A That indicates that because of the lack  
3 of well information directly south of the proposed loca-  
4 tion, I don't know exactly where, the -- where the pro-  
5 ductive reef porosity extends very much further south and  
6 westward of the No. 1 Soledad.

7 By the control that I have north of the  
8 proposed location, I can tell that -- at least at the No.1  
9 Soledad it appears as if the productive porosity is trend-  
10 ing southwestward out of the No. 1 Soledad, but how far  
11 down into Sections 30 and 25 it goes is unknown and it will  
12 be until the well is drilled.

13 Q In your opinion is this proposed  
14 location the best possible location in the northwest of the  
15 northwest of 30 to test and hopefully produce the reserves  
16 that underlie that acreage?

17 A Based upon my geologic evaluation it  
18 would be the most -- the most reliable location to do just  
19 that.

20 Q And in your opinion will granting this  
21 application be in the best interest of conservation, the  
22 prevention of waste, and the protection of correlative  
23 rights?

24 A Yes.

25 Q Did you prepare Exhibit Number Four?

1           A           Yes.

2                           MR. CARR:    At this time we  
3 move the admission of Nearburg Exhibit Number Four.

4                           MR. CATANACH:  Exhibit Number  
5 Four will be admitted into evidence.

6                           MR. CARR:  And that concludes  
7 my direct examination of Mr. Mazzullo.

8

9

CROSS EXAMINATION

10 BY MR. CATANACH:

11           Q           Mr. Mazzullo, which well is going to be  
12 drilled first, the Doubloon?

13           A           The Doubloon.

14           Q           Do you feel that the information you  
15 obtain from the Doubloon will -- will help -- help with the  
16 location in Section 30 at all?

17           A           Oh, yeah, every -- every bit of informa-  
18 tion -- every well that's drilled does.

19           Q           Is it Nearburg's intention not to drill  
20 the well in Section 30 until the Doubloon well is  
21 completed?

22           A           Yes. We're not -- it's not going to be  
23 spudded until after the Doubloon is evaluated.

24           Q           So after you evaluate the Doubloon you  
25 may come in and want to change that location.

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

Is there anything further in  
this case?

MR. CARR: Nothing further.

MR. CATANACH: Case 9404 will  
be taken under advisement.

(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. 774, heard by me on April 8 1958.

*David P. Cottrill*, Examiner  
Oil Conservation Division