

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING )  
CALLED BY THE OIL CONSERVATION )  
DIVISION FOR THE PURPOSE OF )  
CONSIDERING: ) CASE NO. 11,196  
)  
APPLICATION OF NEARBURG )  
EXPLORATION COMPANY )  
\_\_\_\_\_ )

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

ORIGINAL

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

January 19th, 1995

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on Thursday, January 19th, 1995, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, before Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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## I N D E X

January 19th, 1995  
 Examiner Hearing  
 CASE NO. 11,196

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<u>JERRY B. ELGER</u>	
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\* \* \*

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\* \* \*

## A P P E A R A N C E S

## FOR THE DIVISION:

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Attorney at Law  
Legal Counsel to the Division  
State Land Office Building  
Santa Fe, New Mexico 87504

## FOR THE APPLICANT:

CAMPBELL, CARR, BERGE & SHERIDAN, P.A.  
Suite 1 - 110 N. Guadalupe  
P.O. Box 2208  
Santa Fe, New Mexico 87504-2208  
By: WILLIAM F. CARR

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2 10:44 a.m.:

3           EXAMINER STOGNER: At this time we'll go to page  
4 4 and I'll call 11,196.

5           MR. CARROLL: Application of Nearburg Exploration  
6 Company for an unorthodox oil well location, Lea County,  
7 New Mexico.

8           EXAMINER STOGNER: Call for appearances.

9           MR. CARR: May it please the Examiner, my name is  
10 William F. Carr with the Santa Fe law firm Campbell, Carr,  
11 Berge and Sheridan.

12           We represent Nearburg Exploration Company, and I  
13 have one witness.

14           EXAMINER STOGNER: Any other appearances?

15           Will the witness please stand to be sworn?

16           (Thereupon, the witness was sworn.)

17                           JERRY B. ELGER,

18 the witness herein, after having been first duly sworn upon  
19 his oath, was examined and testified as follows:

20                           DIRECT EXAMINATION

21 BY MR. CARR:

22           Q. Will you state your name for the record, please?

23           A. My name is Jerry Elger.

24           Q. And where do you reside?

25           A. I reside in Midland, Texas.

1 Q. By whom are you employed?

2 A. I'm employed by Nearburg Producing Company.

3 Q. And what is your current position with Nearburg  
4 Producing Company?

5 A. I'm their exploration geologist.

6 Q. Mr. Elger, have you previously testified before  
7 this Division and had your credentials as an expert in  
8 petroleum geology accepted and made a matter of record?

9 A. Yes, I have.

10 Q. Are you familiar with the Application filed in  
11 this case on behalf of Nearburg?

12 A. Yes, I am.

13 Q. And have you made a geological study of the area  
14 which is involved in this Application?

15 A. Yes, I have.

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

18 EXAMINER STOGNER: They are.

19 Q. (By Mr. Carr) Mr. Elger, could you briefly state  
20 what Nearburg seeks in this case?

21 A. Nearburg seeks an unorthodox well location in the  
22 South Humble City-Strawn Pool, the location being 330 from  
23 the south line and 1300 from the west line of Section 12,  
24 which is in Unit M of Township 17 South, Range 37 East.

25 Q. What acreage will be dedicated to the well?

1           A.    It will be the south half of the southwest  
2 quarter.

3           Q.    Is that a standard spacing unit for this pool?

4           A.    Yes, it is.

5           Q.    What are the well-location requirements for the  
6 South Humble City-Strawn Pool?

7           A.    They're 150 feet from the quarter quarter  
8 section.

9           Q.    Have you prepared exhibits for presentation in  
10 this case?

11          A.    Yes, I have.

12          Q.    Let's go to what has been marked Nearburg Exhibit  
13 Number 1.  Would you identify this for Mr. Stogner?

14          A.    Exhibit Number 1 is a Midland land map, 1-to-4000  
15 scale land map.  It has been shaded -- The proration unit  
16 for the Application has been shaded in yellow, and the red  
17 dot where the proposed location is.  It also shows the  
18 general ownership in the area.

19          Q.    And the Application is filed in the name of  
20 Nearburg Exploration Company?

21          A.    It is.

22          Q.    And who will actually be drilling the well?

23          A.    Nearburg Producing Company.

24          Q.    And what is the relationship of those two  
25 companies?

1           A.    They're both wholly owned by Charles Nearburg.  
2   Basically, they're one and the same.

3           Q.    The unorthodox location is encroaching on what  
4   acreage?

5           A.    It's encroaching on the northwest quarter of  
6   Section 13.

7           Q.    That's the only acreage on which it's gaining an  
8   advantage?

9           A.    That's correct.

10          Q.    Could you go to what has been marked Nearburg  
11   Exhibit Number 2, identify and review that for the  
12   Examiner?

13          A.    Exhibit Number 2 shows the ownership under the  
14   proposed drill site, which has been marked again in red, in  
15   the south half of the southwest quarter of Section 12. It  
16   also shows the ownership of the north half of the northwest  
17   quarter of Section 13.

18          Q.    Is Nearburg Exhibit Number 3 a title opinion from  
19   which the ownership in the north half of the northwest of  
20   13 is determined?

21          A.    That is correct.

22          Q.    And each of the owners set forth on Exhibit  
23   Number 2 have a working interest in the acreage on which  
24   this well, proposed well, is encroaching?

25          A.    That is correct.

1 Q. Is Exhibit Number 4 an affidavit confirming that  
2 notice of this Application has been provided in accordance  
3 with OCD rules to each of those interest owners identified  
4 on Exhibit 2?

5 A. Yes.

6 Q. And attached to the affidavit are copies of the  
7 letters and the return receipts; is that correct?

8 A. Yes.

9 Q. Let's go now to what has been marked as Nearburg  
10 Exhibit Number 5. Could you identify this exhibit and  
11 review it for Mr. Stogner?

12 A. Exhibit Number 5 is a combination geological/  
13 geophysical map that was developed by myself in conjunction  
14 with Nearburg's geophysicist. It's basically an isopach  
15 map of Strawn porosity within the -- that develops within  
16 the lower Strawn.

17 The symbolism -- The color symbolism you see by  
18 the wellbores, the light green wells are either current or  
19 former Strawn producers, and the dark green wells are  
20 producing from some other objective like the Wolfcamp or  
21 Atoka.

22 The subject acreage, the 80-acre proration unit  
23 for the Application, has been outlined in orange in the  
24 south half of the southwest quarter of Section 12. Map  
25 scale is one to a thousand feet, one inch equals a

1 thousand.

2 The proposed location has been shaded red, and  
3 that location again being 1300 from the west line, 330 from  
4 the south line.

5 The importance of this map is that it shows also  
6 the seismic lines which were used to really determine where  
7 the Strawn porosity was developed in the subject proration  
8 unit. Where porosity was interpreted on that seismic lines  
9 has been shaded, again, green on each of the indicated  
10 lines, and there's two north-south and one east-west and  
11 one northeast-southwest seismic line that transverses this  
12 acreage.

13 Of extreme importance is line WK-5, which is an  
14 east-west line. That goes through the middle of that 80-  
15 acre unit east-west. There were no Strawn anomalies  
16 characteristic of Strawn porosity noted on that seismic  
17 line, which means that from that area to the north, their  
18 interpretation is that there's no Strawn porosity  
19 developed.

20 Q. This map was constructed using both the seismic  
21 and the well information?

22 A. It was.

23 Q. And this exhibit has a trace for the cross-  
24 section, which is your Exhibit Number 6; is that right?

25 A. Yes.

1 Q. Would you refer to that exhibit, please, and  
2 review it for the Examiner?

3 A. Exhibit Number 6 is a stratigraphic cross-  
4 section, the datum being the top of the Atoka clastic  
5 sections at the base of the Strawn.

6 The cross-section ties three wells in the local  
7 area of the -- Nearburg's Application, two of which were --  
8 do not have any Strawn porosity developed. And of course  
9 one -- It ties one Strawn producer. That's located in the  
10 northwest quarter of Section 13.

11 Again, I would note, of importance on this is the  
12 Texas International Petroleum well, Byers Number 1, located  
13 660 from the south line and 660 from the west line, and  
14 that falls within the confines of the 80-acre unit Nearburg  
15 is utilizing for this Application. You'll notice that  
16 the -- that well produced out of the Atoka sand section but  
17 did not have any porosity developed within the Strawn.

18 And again, that well is located very close to the  
19 intersections of line WK-9 and WK-5. There's no Strawn  
20 porosity developed at that location.

21 And then as you move towards the proposed  
22 location, what the seismic indicates is that we will begin  
23 to see porosity development within the Strawn.

24 Q. Mr. Elger, in your opinion is it necessary to  
25 drill a well at the proposed location to produce the Strawn

1 reserves located under the south half of the southwest  
2 quarter of Section 12?

3 A. Yes, it is.

4 Q. In your opinion, will approval of this  
5 Application and the drilling of this well be in the best  
6 interest of conservation, the prevention of waste and the  
7 protection of correlative rights?

8 A. Yes, it will.

9 Q. Were Nearburg Exhibits 1 through 6 either  
10 prepared by you or compiled at your direction?

11 A. Yes, they were.

12 MR. CARR: At this time, Mr. Stogner, we would  
13 move the admission into evidence of Nearburg Exhibits 1  
14 through 6.

15 EXAMINER STOGNER: Exhibits 1 through 6 will be  
16 admitted.

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

19 EXAMINATION

20 BY EXAMINER STOGNER:

21 Q. In looking at your cross-section and the map,  
22 that first well on the right [sic] that's on the same  
23 proration unit as you're proposing today, that well was a  
24 Strawn or an Atoka test originally?

25 A. The Texas Boys Ranch? Is that the well? A'?

1 Q. No, I'm looking at the well at A, not A' --

2 A. Oh, okay.

3 Q. -- E.M. Byers Well Number 1.

4 A. That well was -- had an Atoka objective -- or,  
5 I'm sorry, a Strawn objective.

6 Since there is occasionally porosity that  
7 develops within the sand packages immediately below the  
8 Strawn carbonate, it's not uncommon out here for these  
9 wells to be set up with Atoka objectives, because they do  
10 penetrate these intervals to test for hydrocarbons in those  
11 as second objectives.

12 Q. And that well was at a standard location?

13 A. Yes, it was.

14 Q. Were these the only seismic lines in this area  
15 that were utilized?

16 A. Those were the only seismic lines that  
17 contributed to the interpretation that you see on this  
18 display, across this proration unit.

19 There were other seismic lines farther north in  
20 Section 12 and farther south in Section 13 that were  
21 utilized, but not for the specific interpretation of the  
22 Strawn porosity development across this 80-acre unit.

23 Q. So WK-3 was the only one that really traversed  
24 this anomaly?

25 A. No, WK-9 traversed it, and WK-6 also traversed

1 it. They should be highlighted.

2 And in fact, on the displays I put the individual  
3 shot points where Strawn porosity development occurred or  
4 was interpreted, and on WK-6 that was from between shot  
5 points 272 and 277. Do you see those little numbers?

6 A. Yes.

7 Q. On shot -- on line WK-3 it was between 182 and  
8 194, and on WK-9 between shot points 192 and 198.

9 Q. But the last shot point shown is within the  
10 anomaly, and I take it that the shots or the line didn't go  
11 -- traverse it all the way, down to the southern part?

12 A. Southern part of 13?

13 Q. Yeah.

14 A. Yes, they did.

15 Q. Oh, they did? So --

16 A. Yes.

17 Q. -- this line needs to be drawn on out, huh?

18 A. Yes. In fact, I've only shown portions of these.  
19 These are not the total length of the lines. I've only --  
20 I've kind of toned these lines down to just encompass,  
21 again, the subject acreage.

22 Q. Okay. So they do go ahead and extend on through?

23 A. Yes, they do.

24 Q. Okay. So you were able to get a southern  
25 boundary limitation from these shot lines?

1           A.    Yes, sir.

2                   EXAMINER STOGNER:   Okay, it just appeared to me  
3 that you didn't have anything, so...  But that answers my  
4 question.

5                   Mr. Carr, I have no other questions of this  
6 witness.

7                   MR. CARR:   We have no further questions of Mr.  
8 Elger.

9                   EXAMINER STOGNER:   Did we admit the evidence?

10                  MR. CARR:   Yes, sir, we did.

11                  EXAMINER STOGNER:   Okay.  If there's nothing  
12 further in Case 11,196, this case will be taken under  
13 advisement.

14                   (Thereupon, these proceedings were concluded at  
15 10:58 a.m.)

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## CERTIFICATE OF REPORTER

STATE OF NEW MEXICO )  
 ) ss.  
 COUNTY OF SANTA FE )

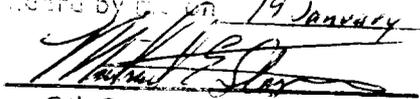
I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL January 22nd, 1995.

  
 STEVEN T. BRENNER  
 CCR No. 7

My commission expires: October 14, 1998

I do hereby certify that the foregoing is a true and accurate record of the proceedings in the hearing of Case No. 11196, heard by me on 19 January 1995.  
  
 Michael J. Day, Examiner  
 Oil Conservation Division

STEVEN T. BRENNER, CCR  
 (505) 989-9317