

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:)
)
APPLICATION OF NEARBURG EXPLORATION)
COMPANY, L.L.C., FOR COMPULSORY POOLING,)
EDDY COUNTY, NEW MEXICO)
)
APPLICATION OF DEVON ENERGY CORPORATION)
(NEVADA) FOR COMPULSORY POOLING, EDDY)
COUNTY, NEW MEXICO)

CASE NOS. 12,319
and 12,342
(Consolidated)

OIL CONSERVATION DIVISION
00 MAR - 2 PM 12:23

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

ORIGINAL

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

February 17th, 2000

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, February 17th, 2000, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

February 17th, 2000
Examiner Hearing
CASE NOS. 12,319 and 12,342 (Consolidated)

	PAGE
EXHIBITS	3
APPEARANCES	3
REPORTER'S CERTIFICATE	9

* * *

E X H I B I T S

	Identified	Admitted
Nearburg (Case 12,319) Exhibit A	8	-
Devon (Case 12,342) Exhibit A	8	-

* * *

A P P E A R A N C E S

FOR THE DIVISION:

LYN S. HEBERT
Deputy General Counsel
Energy, Minerals and Natural Resources Department
2040 South Pacheco
Santa Fe, New Mexico 87505

FOR NEARBURG EXPLORATION COMPANY, L.L.C.

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

FOR DEVON ENERGY CORPORATION (NEVADA):

JAMES G. BRUCE, Attorney at Law
3304 Camino Lisa
Santa Fe, New Mexico 87501
P.O. Box 1056
Santa Fe, New Mexico 87504

* * *

1 WHEREUPON, the following proceedings were had at
2 8:48 a.m.:

3 EXAMINER STOGNER: Okay, at this time I will call
4 Case Number 12,319.

5 MS. HEBERT: Application of Nearburg Exploration
6 Company, L.L.C., for compulsory pooling, Eddy County, New
7 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. We represent Nearburg Exploration
12 Company in this matter.

13 Mr. Examiner, this case was heard two weeks ago.
14 All testimony in the case was presented at that time to
15 Examiner Catanach.

16 At the end of the hearing the case was continued
17 for two weeks to permit Devon, who is the applicant in the
18 following case -- the case will be consolidated -- the case
19 was continued to permit Devon to review some information
20 from an FMI interpretation that Nearburg had paid for. And
21 the data was shared and two weeks were allowed to Devon to
22 look at the information and see. The purpose of this was
23 to determine whether or not the parties could reach an
24 agreement as to the well location.

25 At the end of the two weeks, if we were unable to

1 reach an agreement, the parties were invited back to submit
2 only written statements, with no testimony to be taken, and
3 that's what we're here for today.

4 So at this time, I think it would be appropriate
5 to call the following case, the Application of Devon in
6 Case 12,342, and at that time I believe Mr. Bruce and I
7 will be presenting a statement.

8 EXAMINER STOGNER: Okay, at this time I'll call
9 Case Number 12,342.

10 MS. HEBERT: Application of Devon Energy
11 Corporation (Nevada) for compulsory pooling, Eddy County,
12 New Mexico.

13 EXAMINER STOGNER: Other than Mr. Carr
14 representing Nearburg, is there appearances in this matter?

15 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
16 representing Devon Energy Corporation of Nevada.

17 I concur with what Mr. Carr said. We each have a
18 statement to submit to the record, a geologic statement,
19 and we would ask that they be incorporated in the record.
20 As Mr. Carr said, there was hope that a consensus could be
21 reached on a well location. That hasn't occurred, which is
22 the reason for these statements.

23 The only other thing I'd like to be conveyed to
24 Mr. Catanach is that both Devon and Nearburg have rigs
25 available soon, and I believe they, because of certain well

1 -- or I should say lease expiration deadlines and other
2 matters, both parties are quite anxious to drill the well
3 and would urge the Division to reach as quick a decision as
4 possible.

5 EXAMINER STOGNER: Okay, before we get to those
6 statements, Mr. Carr, in your opening statement you
7 mentioned some sort of a survey. What kind of a survey?

8 MR. CARR: FMI, formation micro-imager. It's a
9 Schlumberger tool that was run in an offset well that was
10 able to -- and you'd have to have one of the geologists
11 explain, but it was able to show the direction in which a
12 channel may thicken, and things of that nature.

13 EXAMINER STOGNER: An FMJ?

14 MR. BRUCE: FMI.

15 EXAMINER STOGNER: FMI. And what does that stand
16 for?

17 MR. CARR: Formation micro-imager.

18 EXAMINER STOGNER: Well, I'm impressed, thank
19 you.

20 MR. CARR: If I'm wrong --

21 MR. BRUCE: If he's wrong, I'm not correcting
22 him.

23 MR. CARR: If I'm wrong, you'll have to confer
24 with a technical person.

25 EXAMINER STOGNER: Well, who would like to go

1 first?

2 MR. BRUCE: We really just have written
3 statements.

4 EXAMINER STOGNER: Well, who wants to read their
5 written statements first?

6 MR. CARR: If you'd like them read into the
7 record, I'll be glad to do that. I've got a statement for
8 Nearburg.

9 MR. BRUCE: Yeah, they're printed up.

10 EXAMINER STOGNER: Well, if they're printed,
11 then, and you don't wish to make any kind of a verbal
12 statement, that's okay.

13 MR. CARR: I believe it was the directive of Mr.
14 Catanach that we should submit written statements and that
15 there would be no additional testimony received at this
16 time, so that's why we have these statements.

17 EXAMINER STOGNER: Okay. Well, why don't you
18 present them at this time, both of you? Let the record
19 show that Mr. Carr did bring Mr. Jim Bruce's statement
20 forward.

21 MR. BRUCE: Are you sure of that?

22 EXAMINER STOGNER: Okay, now, I've got a Devon
23 Exhibit A.

24 MR. CARR: And I have just a statement. I'll be
25 glad to mark it if you'd like to mark that one.

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

EXAMINER STOGNER: Yeah, let's do mark it. That way I can put the dates on it and...

Okay, let the record show that the written statements presented, one marked Nearburg Exhibit A in Case 12,319, and Devon's Exhibit A -- Don't have a case number. What do you want this attributed to? 12,342?

MR. BRUCE: Yes, sir.

EXAMINER STOGNER: Anything further in either Case 12,319 or 12,342?

Then these matters will be taken under advisement.

(Thereupon, these proceedings were concluded at 8:53 a.m.)

* * *

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case Nos. 12319 and 12342 heard by me on 17 February 2000.
[Signature]
Conservation Division

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 February 18th, 2000.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 2002

February 17, 2000

Re: Oil. Conservation Division Case No. 12319: Statement of Nearburg Exploration Company, LLC.

The main Morrow Upper "C" sand channel, which was the target sand for the Murchison **Potter Fed #2** well, and which is the productive sand in the Yates Petroleum Corporation **Doesquis "ASQ" Fed Com #1** (SE/4 of Section 30), the Mesa **Peterson Fed Com #1** (NE/4 of Section 20), and the Nearburg wells located in Sections 29, 32, and 33, was encountered in the Murchison **Potter Fed #2** well between 9049'-61'.

It appears that the FMI interpretation across this interval (which was performed by Schlumberger FMI interpreter Dave Stief for Nearburg) was corroborated by Greg Flournoy for Devon.

As Mr. Elger testified at the February 3, 2000 Examiner Hearing, the thickening of this sand is to the west towards the Nearburg and Devon locations. The FMI can not be used to determine the overall width of the channel, however, one of the characteristics of the Morrow Upper "C" channels north of the **Potter Fed #2** is that they are very abrupt (narrow) with thick point bar sand deposits immediately adjacent to the wells with the sand quality and thickness similar to that encountered in the **Potter Fed #2**. The risk presented by Devon's location remains that by locating a well further from existing control data, they would encounter poor quality sand on the west side of the channel and potentially end up with a **Potter Fed #2** type sand section in the Morrow Upper "C".

BEFORE EXAMINER STOGNER
OIL CONSERVATION DIVISION
<u>NEARBURG</u> EXHIBIT NO. <u>A</u>
CASE NO. <u>12319</u>

STATEMENT OF GAYLE RIGGS

The FMI on the Murchison Potter Fed. Well No. 2, located in the NW¼ S29-17S-27E, was provided by Nearburg Exploration Company, L.L.C. ("Nearburg") to Devon Energy Corporation (Nevada) ("Devon"). The FMI was reviewed on February 7, 2000, in Devon's offices, by Schlumberger FMI interpreter Greg Flournoy. In attendance were Devon employees Gayle Riggs (geologist), George Davis (geologist), Jim Doherty (reservoir engineer), and Ernie Buttross (operations engineer).

Nearburg's proposed location in the SE¼NEX S30 is based on its interpretation of the thickening of the Morrow sand at 9046-9060 feet, as shown by the FMI. Greg Flournoy was asked to review this interpretation.

Greg Flournoy agreed with the interpreter from Schlumberger's Midland office that the sand deposit at 9046-9060 feet appeared to dip west. He could not evaluate the abandoned channel facies at 9060-9080 feet due to overprint from the displays. This lower channel sand appears to be associated with Nearburg's production from wells in Sections 32 and 33, to the southeast of the proposed well.

While the FMI can tell apparent bed dip direction of this sand, it was not conclusive on the distance necessary for maximum sand accumulation. Based on this review, Devon still believes that its location, in the SW¼NEX S30, will adequately test the Morrow section, and that the FMI supports Devon's location for a west offset to the Potter Fed. Well No. 2.



Gayle Riggs

NEW MEXICO
CONSERVATION DIVISION
Devon EXHIBIT A
CASE NO. 12342