

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 4 January 1989

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Nearburg Producing CASE
10 Company for an unorthodox gas well 9569
11 location, Eddy County, New Mexico.

12 BEFORE: David R. Catanach, Examiner

13 TRANSCRIPT OF HEARING

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

15 For the Division: Robert G. Stovall
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20 For Nearburg Producing Scott Hall
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25

I N D E X

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1 MR. CATANACH: Call Case 9569.

2 MR. STOVALL: Application of
3 Nearburg Producing Company for an unorthodox gas well loca-
4 tion, Eddy County, New Mexico.

5 MR. CATANACH: Are there ap-
6 pearances in this case?

7 MR. HALL: Mr. Examiner, Scott
8 Hall from the Campbell & Black law firm on behalf of the
9 Applicant, Nearburg Producing Company, with two witnesses.

10 MR. STOVALL: Same two?

11 MR. HALL: Yes, they've been
12 previously sworn.

13 MR. CATANACH: The record will
14 show that the witnesses have previously been sworn and you
15 may proceed, Mr. Hall.

16
17 CHARLES E. NEARBURG,
18 being called as a witness previously sworn and remaining
19 under oath, testified as follows, to-wit:

20

21 DIRECT EXAMINATION

22 BY MR. HALL:

23 Q All right, Mr. Nearburg, in view of the
24 fact you've been previously sworn, let me just direct your
25 attention to Exhibit One, please, sir. Would you please

1 explain that to the Examiner?

2 A Okay. Do you want me to state what
3 we're seeking?

4 Q Yes.

5 A Nearburg Producing Company in this case
6 seeks approval of a Morrow test well at a location 1980
7 feet from the south line and 990 feet from the west line of
8 Section 7, Township 19 South, Range 26 East, Eddy County,
9 New Mexico, on a south half proration unit.

10 The pool rules in this case of the Four
11 Mile Draw Morrow Pool call for 320-acre proration units
12 with wells located a minimum of 660 feet from the side
13 boundary and 1980 from the end boundary of the proration
14 unit, with 1320 feet between wells.

15 In this case our proposed well is
16 standard in one direction but nonstandard in the other
17 direction by 990 feet.

18 Exhibit Number One is a reflection of
19 ownership of the offsetting proration units to the north
20 and west and identifies the current wells in the area.

21 Basically all of the offsetting produc-
22 ing wells in this immediate area are operated by Nearburg
23 Producing Company. Last year we drilled the north offset
24 well, which is the Glass 7-E No. 1, which is a -- not an
25 outstanding, but a good Morrow well. It produces approxi-

1 mately 1000 -- I think I'm safe in saying it produces about
2 1000 MCF per day.

3 The Rose No. 12-A No. 1 was also drilled
4 last year and was not successful in the Morrow. We made a
5 completion attempt in the Atoka, which also was very mar-
6 ginally successful, and we are now attempting a completion
7 in the Strawn in that well.

8 The other well in Section 12 is an aban-
9 doned Morrow producer and the other well in Section 7 is a
10 Morrow dry hole drilled sometime in the past by Dorchester.

11 Basically there is also a well that's
12 not shown that shows up on Exhibit Two, the Muchas Hombres,
13 which is in the west half of the southwest quarter of
14 Section 8, which was drilled by Nearburg last year, and it
15 was a Morrow dry hole, also.

16 Therefore, we are proposing to drill
17 this well at this location in order to basically fit the
18 geology that's been shown by the drilling that we've done.

19 The ownership of these leases, in the
20 south half, the working unit, Nearburg would have .125 per-
21 cent; Yates would have 34.375 percent; and there are some
22 et als (sic) that have a .5 percent working interest.

23 Q Do you believe that production from this
24 well should be restricted due to its proposed location?

25 A No, I don't believe it should. We feel

1 that it needs to be drilled here in order to drain any re-
2 serves that might be in the south half of 7. We feel that
3 the well in Section 8 pretty well condemned the east --
4 well, we feel that the dry hole in the north part of 7 and
5 the dry hole in the southwest part of 8 basically condem-
6 ned most of the east half of 7 and therefore we feel this
7 location is necessary to produce whatever gas is there.

8 Q Are you requesting that a minimal --
9 minimum allowable be set for the well if production is in
10 fact penalized?

11 A If it were penalized, we would request a
12 minimum of 1000 MCF per day.

13 Q And if a penalty is imposed, what affect
14 will that have on your plans for the well?

15 A It would -- it would -- we would prob-
16 ably not drill the well. It would be very doubtful that we
17 would drill the well.

18 Q Do you believe that the granting of
19 Nearburg's application will be in the best interest of con-
20 servation, the prevention of waste, and protection of cor-
21 relative rights?

22 A Yes, I do.

23 Q And were Exhibits One and Two prepared
24 by you or at your direction?

25 A Yes, they were.

1 MR. HALL: We'd move the
2 admission of Exhibits One and Two and that concludes our
3 direct of this witness.
4

5 (There followed a discussion off the record.)
6

7 MR. CATANACH: Do you want to
8 go into that at this time, Mr. Hall?

9 Q Notice is -- let me hand you what's been
10 marked as Exhibit Five and ask you if that is a copy of an
11 affidavit you have directed your counsel to send out show-
12 ing that notice has been provided to all the (unclear).

13 A Yes, it is.

14 MR. HALL: That's it. That
15 concludes my direct of this witness.
16

17 CROSS EXAMINATION

18 BY MR. CATANACH:

19 Q The only party that this notice was sent
20 to was Yates Petroleum, is that correct?

21 A Correct.

22 Q Who is the owner in the south half of
23 Section 12. The -- in the north half of Section 13, is
24 Nearburg the operator of that acreage?

25 A The north half of 13, that's a combin-

1 ation of ownership. Basically it's owned by -- primarily
2 those leases are owned by Nearburg and Yates.

3 The subject well location actually does
4 not move to nonstandard in the direction of that to the
5 south and we're actually, I guess we're moving slightly in
6 that direction by moving to the west, but we're not moving
7 in the south toward that acreage, but I believe that Yates
8 and Nearburg are the owners of the leases in there.

9 Q Mr. Nearburg, where do you -- where did
10 you come up with the minimum allowable for wells in this
11 area?

12 A Well, we feel that at today's gas prices
13 and with the production restrictions that we have, and the
14 difficulty we have marketing the gas, that if we're -- if
15 we're not allowed to sell at least that amount when we are
16 able to sell, it's very doubtful that we could justify --
17 well, we couldn't justify the economics of trying to drill
18 the well and take the risk associated with, you know, with
19 drilling these wells and therefore we feel it's the minimum
20 amount that would substantiate the risk or provide an
21 economic payout to our partners, should we find a well.

22 MR. CATANACH: No further
23 questions.

24 MR. HALL: Mr. Examiner, we'd
25 also move admission of Exhibit Five.

1 MR. CATANACH: Exhibit Five,
2 did we get the other two?

3 MR. HALL: Yes.

4 MR. CATANACH: Exhibit Five
5 will be admitted as evidence.

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

10
11 DIRECT EXAMINATION

12 BY MR. HALL:

13 Q For the record please state your name.

14 A Louis Mazzullo.

15 Q Mr. Mazzullo, you've previously been
16 sworn and had your credentials accepted of record today,
17 have you not?

18 A Yes, I have.

19 Q Have you prepared certain exhibits in
20 connection with this application?

21 A I have two exhibits.

22 Q All right, let's refer to Exhibit Three,
23 please, and explain that to the Examiner.

24 A The primary target horizon on this pro-
25 posed location is the Morrow formation. Morrow formation

1 again here, as it did in the previous case, produces out of
2 approximately a 200 foot section of sands and shales, the
3 sandstones being the reservoir in this case.

4 This map on Exhibit Three is a structure
5 map drawn on top of the Morrow section that contains these
6 reservoir sands. It's drawn on a contour interval of 50
7 feet and firstly it shows southeasterly regional dip on top
8 of the Morrow in this case, in this area, rather.

9 I'd like to draw your attention to a
10 couple of key wells here, the first of which is the No. 1
11 Secrest in the northeast quarter of Section 7. That well
12 with a subsea of 5739 feet encountered a number of tight
13 Morrow sands as well as one or two wet sands, sands that
14 produced water on drill stem tests, one of which is the
15 primary target horizon at the proposed location.

16 The second key well is in the southwest
17 quarter of Section 8, which is the Nearburg No. 1, 8-1
18 Muchas Hombres, which was just recently drilled and aban-
19 doned after encountering a wet section of Morrow in this
20 primary target zone.

21 These two wells indicate that water is
22 much -- is a problem in this area in terms of the Morrow
23 reservoirs, and that when we look at the No. 7-1 Glass, the
24 Nearburg No. 7-1 Glass in the northwest quarter of Section
25 7, that well is currently productive out of the Morrow and

1 has thus far not produced any water out of the primary
2 target zone.

3 So these wells indicate the sensitivity
4 of structure in this area to the presence or absence of
5 water in any of these Morrow reservoirs, particularly the
6 main target that I'll be addressing here in a moment.

7 The -- moving this location towards a
8 more standard location, that is, towards the east, would
9 run the risk of being significantly down dip on the Morrow
10 reservoir. By significant I mean up to 25 feet, which in
11 this area could make a difference between gas or water.

12 Q All right, let's refer to Exhibit Four,
13 if you'd explain that to the Examiner, please.

14 A Okay, the primary target in the Morrow,
15 there's only one real target horizon in the Morrow at this
16 location and that's what I refer to as Zone 1-B. It's ap-
17 proximately the upper middle part of the Morrow reservoir
18 section, the 200 foot section that I was talking about
19 previously. This is a map of the total sand, thickness of
20 total sand in this Morrow 1-B in the area. If you note,
21 the Morrow -- I mean the Nearburg No. 7-1 Glass in the
22 northwest quarter of Section 7 contains 34 net feet of
23 porous sand in Morrow Zone 1-B.

24 If you look at the Secrest No. 1 in the
25 northeast quarter of Section 7, that contains 17 feet of

1 marginally porous sand. By porous, I refer to the areas in
2 stippled pattern of greater than 10 feet of 8 percent poro-
3 sity.

4 Proceeding down to the southwest quarter
5 of Section 8, the well that's indexed with the number 20,
6 is the Nearburg No. 1 Muchas Hombres. That contains 20
7 feet of sand in Morrow 1-B and a drill stem test that was
8 run across this sand or testing across this sand, indi-
9 cated that it was wet.

10 If you cross reference this map to
11 previous Exhibit Number Three, you'll note that the Muchas
12 Hombres and the Secrest Wells are down dip of the Glass No.
13 7-1.

14 The intent of moving of -- of drilling a
15 well at the proposed nonstandard location is to attempt to
16 remain within the productive -- what I consider the produc-
17 tive porosity fairway on Zone 1-B, and at the same time
18 trying to maintain as high a structural position on that
19 zone as possible so as not to get into a situation that
20 both the Secrest and the Muchas Hombres got into, that is
21 production of water from this zone.

22 I can't tell from the log response on
23 the 7-1 Glass where the gas/water contact is because these
24 sands are typically hard to read. It's hard to read a
25 gas/oil/water contact in the Morrow. They're tight sands

1 to begin with, inherently tight sands to begin with, and
2 it's hard to make such a determination.

3 But I would venture to guess that by
4 keeping the location as far west as possible, away from a
5 standard location, we lessen the risk of significant water
6 production out of the proposed well.

7 Q Do you have anything further you'd wish
8 to add with respect to this exhibit?

9 A No, I don't.

10 Q Mr. Mazzullo, do you believe that there
11 is a greater likelihood that the well, if completed in this
12 location, would be a successful well than if it were com-
13 pleted in a standard location?

14 A Yes, definitely.

15 Q In your opinion do you believe that the
16 granting of the application will be in the interest of con-
17 servation, the prevention of waste, and protection of cor-
18 relative rights?

19 A Yes, I do.

20 Q And were Exhibits Three and Four pre-
21 pared by you?

22 Q They were prepared by me.

23 MR.HALL: We'd move the admis-
24 sion of Exhibits Three and Four and that concludes our
25 direct in this case.

1 MR. CATANACH: Exhibits Three
2 and Four will be admitted as evidence.

3 I have no questions of the
4 witness. He may be excused.

5 Is there anything further in
6 Case 9569?

7 MR. HALL: That's all I have.

8 MR. CATANACH: IF Not, this
9 case will be taken under advisement.

10
11 (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. 9569
heard by me on January 4 1988.

David L. Catanzaro, Examiner
Oil Conservation Division