

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 compulsory pooling and 9570  
11 an unorthodox oil well location, Lea  
12 County, New Mexico.

13 BEFORE: David R. Catanach, Examiner

14 TRANSCRIPT OF HEARING

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

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

21 For Nearburg Producing Scott Hall  
22 Company: Attorney at Law  
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1 MR. CATANACH: Call Case 9570.

2 MR. STOVALL: Application of  
3 Nearburg Producing Company for compulsory pooling and an  
4 unorthodox oil well location, Lea 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, with two witnesses today, both of whom who have  
10 been -- three witnesses --

11 MR. STOVALL: Two of whom who  
12 have been sworn.

13 MR. HALL: Something like  
14 that.

15 MR. STOVALL: And one we're  
16 going to swear in.

17 MR. HALL: We'll swear the  
18 third.

19 MR. CATANACH: Let me get the  
20 third witness to stand up and be sworn in at this time.

21

22 (Mr. Bill Owen sworn.)

23

24 MR. STOVALL: Do you want the  
25 record to reflect that the other two witnesses have been

1 sworn and qualified, Mr. Hall?

2 MR. HALL: Thank you, I wasn't  
3 able to reflect that myself.

4  
5 CHARLES E. NEARBURG,  
6 being called as a witness and being previously sworn and  
7 remaining under oath, testified as follows, to-wit:

8  
9 DIRECT EXAMINATION

10 BY MR. HALL:

11 Q Mr. Nearburg, would you please state  
12 what it is that Nearburg Producing Company seeks in this  
13 particular application?

14 A Yes. Nearburg Producing Company seeks  
15 an unorthodox location for a Strawn test well in what we  
16 would believe would be the Undesignated Shipp Strawn Pool  
17 or the Undesignated South Humble City Strawn Pool, at a  
18 location 2310 from the south line and 600 feet from the  
19 east line of Section 1, Township 17 South, Range 37 East,  
20 Lea County, New Mexico, on a proration unit consisting of  
21 the east half of the southeast quarter, and we further seek  
22 an order pooling the uncommitted interests.

23 Q All right. Have you prepared certain  
24 exhibits in conjunction with your testimony today?

25 A Yes, we have.

1           Q           Let's look at Exhibit One, if you'd  
2 identify that, please, sir.

3           A           Exhibit One is an AFE for the drilling  
4 of the Price No. 1.

5           Q           All right, would you review the totals  
6 on the AFE for the well?

7           A           The total cost to casing point is pro-  
8 jected at \$395,865 with total completion cost estimated at  
9 \$247,655, for a total completed and equipped well of  
10 \$643,520.

11          Q           To your knowledge are these costs in  
12 line with what's being charged by other operators in the  
13 area for similar wells?

14          A           Yes, I think they're very much in line.  
15 We've recently participated with Pennzoil in one of their  
16 wells and have seen submittals from other operators and  
17 these costs are very much in keeping with those costs.

18          Q           Has Nearburg drilled other Strawn wells  
19 in the immediate area, and if so, how many?

20          A           Yes, we've drilled approximately eight  
21 wells in this immediate area to the Strawn formation.

22          Q           Is Nearburg seeking a risk penalty  
23 against the unjoined interest today?

24          A           Yes, we are seeking a 200 percent risk  
25 penalty.

1           Q           And upon what are you basing that 200  
2 percent recommendation?

3           A           We're basing this based on looking at  
4 the general success rate in the area, which is -- which is  
5 even for a so-called -- well, the success rate runs any-  
6 where from 50 to 60 percent, depending upon whose statis-  
7 tics you look at and exactly how you add them up, but basi-  
8 cally you've got about a 50/50 shot on any well you drill  
9 out here, even after you do all of your seismic, so we feel  
10 that -- and there's very little bail out potential in this  
11 area. There's very few up-hole zones that in this imme-  
12 diate area have been shown to be productive in any kind of  
13 commercial quantity. So it's pretty much a one shot propo-  
14 sition.

15           Q           All right, so you believe that there is  
16 a chance you could drill a well at this location that would  
17 not be a commercial well.

18           A           Well, we like to think that with all the  
19 seismic we've got better than a 50/50 chance, but we all  
20 know that it's still about a 50/50 chance.

21           Q           All right. Have you made an estimate of  
22 the overhead and administrative costs while drilling the  
23 well and also while producing the well, if it's a success-  
24 ful well?

25           A           Yes. We've projected a drilling over-

1 head of \$5760 per month and a producing overhead rate of  
2 \$576 per month. We find these figures to be in line with  
3 what other operators are charging and also to be in line  
4 with industry surveys that have been done by the accounting  
5 firm that does our tax accounting for us.

6 Q All right. Are you recommending that  
7 these figures be incorporated into any order that results  
8 from this hearing?

9 A Yes, we are.

10 Q And does Nearburg Producing Company seek  
11 to be designated operator of the proposed well?

12 A Yes, we do.

13 Q Are you familiar with the pool rules for  
14 the subject pool here?

15 A Well, I guess there is some question in  
16 our minds which pool this well would be placed in, but I  
17 believe that the Undesignated Shipp Strawn and the Undesig-  
18 nated South Humble City Strawn are similar in that wells  
19 are spaced on 80-acre proration units with wellbores to be  
20 located within 150 feet of the governmental quarter quarter  
21 section.

22 Q All right. Are there other unorthodox  
23 locations in the immediate area?

24 A Yes. The two immediate offset wells in  
25 the west half of this same section, I believe, are non-

1 standard. I'm -- I have a case, an order on the closest  
2 offset well, which is a nonstandard well just recently  
3 drilled by Pennzoil, which was Case Number 9522 and Order  
4 No. R-8716-A.

5 Q Will further geologic testimony be pre-  
6 sented today?

7 A Yes, it will.

8 Q Mr. Nearburg, do you believe that pro-  
9 duction from the subject well should be restricted or pen-  
10 alized due to its unorthodox location?

11 A No, we don't. We feel that the nature  
12 of these build-ups is such that their areal extent is fair-  
13 ly limited and as the offset nonstandard wells do not ap-  
14 pear to have been penalized, we would request that our well  
15 not be penalized.

16 Q If the well is in fact penalized, are  
17 you requesting that a minimum allowable be set for the  
18 well?

19 A Well, we would like a minimum allowable  
20 of basically 456 barrels of oil per day, which is what the  
21 offset wells are, I believe, allowed to produce.

22 Q If production is penalized, will this  
23 have any bearing on your plans to go forward with the well?

24 A We would have to get together with our  
25 partners and seriously reconsider whether we can justify



1 the risk and expense of drilling the well at this time.

2 Q And in your view what affect would this  
3 have on your correlative rights?

4 A Well, we feel it would damage our cor-  
5 relative rights, and it would deny us the opportunity to  
6 produce our just and fair share of the reserves under our  
7 tract in the reservoir.

8 Q Let me refer you to Exhibit Seven. Does  
9 Exhibit Seven consist of an affidavit whereby you've  
10 directed your counsel to send notice of this application  
11 and hearing to all interest owners entitled to notice?

12 A Yes, we have.

13 Q Mr. Nearburg, in your opinion do you be-  
14 lieve that granting your application will be in the best  
15 interest of conservation, the prevention of waste, and the  
16 protection of correlative rights?

17 A Yes, I do.

18 Q Were Exhibits One and Seven prepared by  
19 you or at your direction?

20 A Yes, they were.

21 MR. HALL: We'd move the --

22 Q And are you requesting an expedited or-  
23 der in this case and if so, for what reason?

24 A Yes, in this case we are. We have in  
25 this case a lease expiration of February the 10th, 1989.

1 We are going to file the application to drill today and we  
2 have a drilling rig under contract ready to begin the well.  
3 This, the reason for this timing was that the immediate  
4 offset well to the west was just completed within the last  
5 two weeks and we felt it was prudent to see the results of  
6 that well prior to trying to schedule the drilling of this  
7 well, and the completion of our seismic evaluation was at  
8 data point. So we were somewhat bound to see that well  
9 down before committing ourselves to this particular loca-  
10 tion.

11 Q Is there anything further you wish to  
12 add?

13 A Nope, I don't think so.

14 MR. HALL: All right, we'd  
15 move the admission of Exhibits One and Seven and that con-  
16 cludes our direct of this witness.

17 MR. CATANACH: Exhibits One  
18 and Seven will be admitted as evidence.

19 MR. STOVALL: I've got one  
20 question, if I might.

21 A Yes, sir.

22  
23 CROSS EXAMINATION

24 BY MR. STOVALL:

25 Q Is this an OCD permitted or BLM permit-

1       ted well?

2                   A           This will be OCD permitted. Yeah, this,  
3 really the reason for the forced pooling is that tremen-  
4 dous numbers of minute interests, as you can see from the  
5 affidavit that's Scott and them filed, basically all of the  
6 large interest owners have committed to drill this well at  
7 this location.

8

9

CROSS EXAMINATION

10 BY MR. CATANACH:

11                   Q           Mr. Nearburg, the parties shown on  
12 Exhibit Seven, are those interest owners in the proposed  
13 proration unit?

14                   A           Which one is Exhibit Seven? Oh, maybe I  
15 should defer to another witness on this.

16                                   MR. HALL: We have a land wit-  
17 ness that will sort all these things out, but Exhibit Seven  
18 consists of both pooled interests and offset interests.

19                                   MR. CATANACH: Okay, but will  
20 you sort it out later?

21                                   MR. HALL: Yes, we will.

22                                   MR. CATANACH: Okay.

23                   Q           Mr. Nearburg, your overhead rates appear  
24 to be slightly high. You said that these were based on  
25 what, now?

1           A           Well, they're based on what we've been  
2 charging for all of the other wells that we've drilled in  
3 the area and based on what we've seen other -- I'm sure  
4 that there's going to be some variance but there's no real  
5 -- we regularly review the Ernst and Whinney Operators  
6 Survey and we find our rates to be in the median of their  
7 ranges. I mean if we're a little higher, we feel we're  
8 worth it. We try to do a really good job.

9           Q           I never heard that before.

10          A           Well, I don't know.

11                       MR. CATANACH:    No further  
12 questions.

13

14                       BILL OWEN,

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. HALL:

20           Q           Will you please state your name?

21           A           Bill Owen.

22           Q           Mr. Owen, by whom are you employed?

23           A           David (sic) Petroleum Corp.

24           Q           And what is your relationship to Near-  
25 burg Producing Company?

1           A           We are a small exploration company in  
2 Roswell and are partners with Nearburg Producing in this  
3 particular area.

4           Q           Right. How are you employed by David  
5 Petroleum?

6           A           I'm a land man with them.

7           Q           Have you previously testified before the  
8 Division?

9           A           No, I have not.

10          Q           Would you please give the Examiner a  
11 brief summary of your educational background and work ex-  
12 perience?

13          A           Grew up in Roswell; graduated high  
14 school there; BS degree from the University of Maryland in  
15 1976; worked for David Petroleum for approximately 7 years.

16          Q           And in what capacity?

17          A           As a landman.

18          Q           And what was your geographic area of  
19 responsibility for them?

20          A           Southeast New Mexico with some into west  
21 Texas.

22          Q           And are you familiar with the  
23 application in this case and the subject lands?

24          A           Yes.

25                           MR. HALL: Mr. Examiner we

1 would offer Mr. Owen as a qualified petroleum landman.

2 MR. CATANACH: He is so qual-  
3 ified.

4 Q Mr. Owen, have you prepared certain  
5 exhibits in conjunction with your testimony today?

6 A Yes.

7 Q Let's refer to Exhibit Two. Would you  
8 please identify that and explain that to the Examiner?

9 A This is a land plat of the area that's  
10 involved in this particular case; specifically the east  
11 half of the southeast quarter of Section 1, Township 17  
12 South, Range 37 East, which is the recommended dedicated  
13 proration unit for the Nearburg Price Family Trust No. 1  
14 Well.

15 Q All right, let's look at Exhibit Three,  
16 if you would identify that and explain it.

17 A This is a enlarged ownership plat of  
18 Sections 1 and 12 of 17, 37, and 6 and 7 of 17, 38, showing  
19 the working interest owners in that -- in this area; speci-  
20 fically in the proration -- recommended proration unit and  
21 in the offsetting tracts.

22 Q What percentage of the acreage in the  
23 proration unit is voluntarily committed to the well at this  
24 point?

25 MR. CATANACH: Just a minute,

1 Mr. Hall. We don't appear to have Exhibit Number Three.

2 A Sorry. The -- is this Exhibit Three?

3 Q This is Exhibit Three and the question  
4 was what percentage of the acreage, the proration unit, is  
5 dedicated to the well at this point?

6 A At this point approximately 97 percent,  
7 97.02 percent.

8 Q All right, let's review Exhibit Three  
9 and its attachments. If you would explain to the Examiner  
10 which pages reflect the identity of the parties to be  
11 pooled?

12 A Exhibit A of Exhibit Three would show  
13 the -- the currently uncommitted interests for the upcoming  
14 well; however, it's not totally up to date. We have worked  
15 out an agreement with Standard Oil, who's listed as Number  
16 13 of Exhibit A. Their interest is, oh, approximately --  
17 well, let's see what we've got over here on page -- their  
18 interest is 1.46 percent. They own two leasehold interests  
19 in the tract and they have indicated through my conversa-  
20 tions with them as late as yesterday, that they would do  
21 one of, probably, three things: They would either join in  
22 the well; they would farm their interest out to us; or they  
23 would simply sell the interest to us. They have said under  
24 to circumstances, because they're active in the area and  
25 they know what it's -- what they're up against, what we're

1 up against when you start working land in an area, but they  
2 have said that they will not do anything to hold us up in  
3 drilling the well.

4 Also we have also reached verbal agree-  
5 ments with four other entities listed on Exhibit A, Number  
6 1, Number 3, Number 8, and Number 10. All of these are  
7 individuals or their assigns in the event that, like in the  
8 case of Number 1, Elmer Wahl is no longer the -- that  
9 interest has been sold to Beams Mineral Company and they  
10 have agreed to grant us a lease, as has entries 3, 8 and  
11 10, which leaves the balance of the interest still current-  
12 ly unleased, the majority of these, all of them, have been  
13 -- have been -- we've attempted to contact beginning as of  
14 a couple of years ago when the majority of this leasing  
15 took place because at that time we anticipated proceeding  
16 through the area and continue to put the acreage block to-  
17 gether. All of these interests, as you can tell, are from  
18 the previous page, are extremely small. I can give you the  
19 fractional interest if you'd like but what we're talking  
20 about total is less than an acre out of the proration unit.

21 For example, just to give you an idea of  
22 the size of interest, Number 2, Dr. C. S. Daley, no known  
23 address, his fractional interest is a  $1/2410$ .

24 Number 4, if you want to make note on  
25 each of these I'll be glad to go through them, just to give



1 you the idea of how small these interests are, but --

2 MR. CATANACH: I don't think  
3 we need to do that.

4 A Fine. Fine with me, too.

5 Q If you would, please, with respect to  
6 the remaining unjoined interest on Exhibit A, summarize the  
7 efforts you've undertaken to secure their joinder.

8 A We've researched the Lea County records  
9 at length, especially back at the time back in 1986 when  
10 were extremely active in leasing this block. All of these  
11 entities have been mailed at least one and most of the time  
12 two letters. We've attempted to locate phone numbers for  
13 these various people. We currently have a lease broker  
14 that's doing extensive work on locating these interests,  
15 which is primarily why we've been able to recently reach  
16 agreement with -- with the ones that we have, specifically  
17 3, 8 and 10. As you see on number 8, we didn't even have  
18 an address on that one. 10, the interest has also changed  
19 hands to an heir of Beverly Nelson, so we are actively, and  
20 continue to as of this date pursue the location of these  
21 different individuals.

22 Q Let's look at Exhibit Four. Would you  
23 identify that, please?

24 A This is a sample of the letter that we  
25 sent out back in July of 1986, that was sent to all of the

1 at that time unleased mineral owners. When we were not  
2 able to locate any kind of a phone number, we simply  
3 drafted a letter, tried to explain to them who we were,  
4 what we were doing, and made an offer of them to lease the  
5 interest to us; if they didn't want to lease, would they at  
6 least contact us to let us know their whereabouts. Most of  
7 the letters came back from the post office "unable to  
8 deliver" and some of them never did and we just never heard  
9 from any of these various entities.

10 Q Did you send additional letters?

11 A Yes.

12 Q All right. Did Exhibit Four have con-  
13 tained with them when they were sent out copies of leases  
14 to be --

15 A Yes.

16 Q -- executed?

17 A Yes. We sent a copy of a lease and a  
18 draft with each of these letters.

19 Q All right, in your opinion have you made  
20 a good faith effort to locate all the individuals and ob-  
21 tain their voluntary joinder?

22 A Yes, we have.

23 Q Were Exhibits Two, Three and Four pre-  
24 pared by you or at your direction?

25 A Yes.

1                   Q           Do you have anything further you wish to  
2 add?

3                   A           No.

4                               MR. HALL: All right. That  
5 concludes our direct of this witness. We'd move the ad-  
6 mission of Exhibits Two, Three and Four.

7                               MR. CATANACH: Exhibits Two,  
8 Three and Four will be admitted as evidence.

9                   Q           Oh, let me ask one clean-up question.  
10 If you would refer back to Exhibit Three, the Exhibit B to  
11 Exhibit Three, does that consist of a list of offsetting  
12 interest owners?

13                   A           Yes.

14                               MR. HALL: Okay, that's all I  
15 have.

16  
17                               CROSS EXAMINATION

18 BY MR. CATANACH:

19                   Q           Mr. Owen, on your Exhibit A you list two  
20 (unclear) owners with no none address. Have you not been  
21 able to come up with an address for those two at this  
22 point?

23                   A           That's correct. Well, except for, I  
24 think, are you speaking of Number 2 and 4?

25                   Q           2 and 4, right.

1           A           Okay, correct.

2           Q           But you did find Number 8.

3           A           Right.

4           Q           Audrey Curry. What does Exhibit B  
5 indicate?

6           A           Exhibit B indicates a number of -- well,  
7 it's a landman's nightmare is what it is, for you all, too,  
8 most of the time. It's a list of the various mineral own-  
9 ers in Section 6, which is an offset tract to our location,  
10 Section 6 of 17, 38.

11          Q           And you also have a list of the opera-  
12 tors, of interest owners in the northeast quarter of Sec-  
13 tion 1, Section 1?

14          A           Ownership throughout the east half of  
15 Section 1 is uniform so we -- we own also the -- approxi-  
16 mately 97 percent in the northeast quarter, as well.

17                       MR. CATANACH: No further  
18 questions.

19

20                       LOUIS J. MAZZULLO,  
21 being called as a witness having previously been sworn and  
22 remaining under oath, testified as follows, to-wit:

23

24

DIRECT EXAMINATION

25

BY MR. HALL:

1           Q           Please state your name.

2           A           My name is Louis Mazzullo.

3           Q           Mr. Mazzullo, you've previously been  
4 sworn today and qualified as a geologist, have you not?

5           A           Yes, I have.

6           Q           All right, in connection with this  
7 application do you have certain exhibits you prepared?

8           A           I have two exhibits.

9           Q           Let's refer to Exhibit Five and if you'd  
10 explain that, please.

11          A           The principal target horizon, or I  
12 should say probably the only target horizon at the proposed  
13 location here is the Strawn Limestone, which is at a depth  
14 of approximately 11,400 feet.

15                   Exhibit Number Five is a structure map  
16 drawn on top of the Strawn Limestone. Now this map was  
17 generated by a combination of subsurface data provided by  
18 the various wells in the area and also by a series of north  
19 -- a series of seismic lines which criss-crossed the area  
20 fairly extensively, which I don't show on the map.

21                   The proposed location is in the north-  
22 east quarter of the southeast quarter of Section 1 and it's  
23 shown by the red dot and red arrow.

24                   I'd like to reference first of all a  
25 couple of key wells in the area, the first of which is the

1 Nearburg Producing Company No. 1 Wright, which is in the  
2 northeast quarter of the southeast quarter of Section 12,  
3 to the south.

4 I'd also like to reference the newly  
5 completed Pennzoil No. 2 Price in the southwest quarter of  
6 the subject section.

7 The Nearburg No. 1 Wright is located on  
8 a structurally defined closure or a high, I should say, a  
9 nosing of closure, and the No. 2 Wright immediately to the  
10 south is off on the flank of this closure.

11 If you note, the No. 2 Price is off the  
12 flank of a fairly -- of a somewhat larger closure that  
13 straddles Section 1 and Section 12.

14 Now the -- the way these Strawn lime-  
15 stone pay zones are commonly defined in this area by most  
16 operators, is by seismic evaluation. Seismic evaluation  
17 identifies both structural feature at the top of the  
18 Strawn, as well as amplitude anomalies which conventionally  
19 are used to define the development of porosity in these  
20 limestones.

21 The structural anomalies are used to  
22 identify areas where the Strawn section is possibly thick-  
23 ening as a result of the formation of porous reefs. These  
24 porous reefs are the pay zone in the area. They're comm-  
25 only one to two well features. There are very few in this

15 Contrast that to the No. 1 Wright down  
16 to the south, that sits on the top of a closure. The No. 2  
17 Wright sits off the flank of the closure, and the No. 2  
18 Price sits off the flank of a larger closure.

25 It's on the flank of a structure and one

1 of the unpredictable factors in this area is whether or not  
2 the Strawn reefs, as they're called, are water-bearing or  
3 not. Some of them, a lot of them are not, they never pro-  
4 duce any water, and some of them, like the No. 2 Price Unit  
5 produce water and we can't tell why, but we do know that in  
6 structurally more enhanced positions on the -- particularly  
7 units that do contain water, the higher you go structural-  
8 ly, the better your chances of not producing substantial  
9 amounts of water.

10 So our proposed location in light of the  
11 new well, the No. 2 Price, is at an optimum structural  
12 position. We don't know whether or not we will hit any  
13 water in there, but we can't take that chance, so there-  
14 fore, structurally we'd like to get as high was possible.

15 Q Let's look at Exhibit Six, if you would  
16 explain that, please.

17 A Exhibit Six now is an isopach of the  
18 thickness of the total Strawn Limestone section from top to  
19 bottom, regardless of the presence or absence of any reef  
20 porosity.

21 The isopach map was also drawn through a  
22 combination of subsurface control and seismic control.  
23 Seismically the thickness of the unit is a little bit  
24 harder to define than its structure but we do have a number  
25 of data points made available by the various wells here



1 that enable us to tie the seismic into the subsurface data  
2 quite well.

3                   The areas that are shown by the dotted  
4 patterns are those areas that may or -- either have proven  
5 or inferred development of porosity within the Strawn,  
6 somewhere within the Strawn section. This porosity can be  
7 defined on logs very easily where we have control. Where  
8 we don't have control, it's presence is inferred by cer-  
9 tain amplitude anomalies that we see on the seismic sec-  
10 tions across this area.

11                   First of all I'd like to draw your  
12 attention to the No. 1 Wright in Section 12. It's sitting  
13 off the -- off the -- within a small body of porosity de-  
14 velopment that's separated from the body of porosity devel-  
15 opment in the No. 2 Wright down to the south. The reason  
16 for this separation is because the No. 2 -- the No. 1  
17 Wright is producing 100 feet lower stratigraphically in the  
18 section than the No. 1 Wright, I believe from two separate  
19 reef developments within the section. So you can see that  
20 the porosity development that we anticipate around either  
21 one of those wells, and either one of those zones, is very  
22 small, limited in areal extent.

23                   The No. 2 Price is sitting as far as we  
24 can tell on the flank of a porosity development that may or  
25 may not be better developed away from the well to the

1 southwest. The proposed location indicated by the red dot,  
2 is located as to take advantage of maximum thickness  
3 development in the Strawn, which we hope reflects maximum  
4 development of productive porosity in the Strawn.

5 Comparing this map to Section 5, the  
6 location also ties in to maximum structural closure. So  
7 if we were to move the location away from the proposed  
8 location as we have it, we would run the risk of first of  
9 all getting into a minimum porosity development situation  
10 or perhaps no porosity at all because it's fairly clear in  
11 this area that you don't have to move very far from a  
12 producing well to get a dry hole. I think we've proven  
13 that around the No. 1 Wright Well, it's got two dry holes.

14 The second consideration of putting the  
15 location where it's at is to take advantage of a maximum  
16 structural development as to avoid the possible influx of  
17 any water that may be present in the reservoir.

18 Q Do you have anything further you wish to  
19 add with respect to these exhibits?

20 A No, I don't.

21 Q In your opinion will granting the appli-  
22 cation be in the interest of conservation, the prevention  
23 of waste, and protection of correlative rights?

24 A Yes.

25 Q Were Exhibits Five and Six prepared by

1 you?

2 A Yes.

3 MR. HALL: We'd move the  
4 admission of Exhibits Five and Six and that completes our  
5 direct.

6 MR. CATANACH: Exhibits Five  
7 and Six will be admitted as evidence.

8

9 CROSS EXAMINATION

10 BY MR. CATANACH:

11 Q Mr. Mazzullo, do you know how many  
12 seismic lines you've had in that particular quarter sec-  
13 tion?

14 A How many have we got?

15 MR. NEARBURG: At least three,  
16 maybe four or five.

17 A Yes, they're both east/west and north/  
18 south trending seismic lines through the area.

19 MR. NEARBURG: I guess we have  
20 closer to five.

21 A Yeah. It's fairly -- they're fairly  
22 evenly spaced throughout the section as to provide a  
23 gridwork through the section, and we have one that crosses  
24 directly, right along side the proposed location.

25 Q Have you successfully utilized seismic

1 in this area before?

2 A Yes, we have. Where we have believed it  
3 and listened to it, we have been successful in drilling  
4 producing wells, both here and in another area off to the  
5 northwest.

6 Q When you say successful, what in terms  
7 of a percentage would you say --

8 A Greater than 50 percent, which in this  
9 -- in this area is successful.

10 Q Mr. Mazzullo, are you aware of a natural  
11 tendency of these wellbores to drift in a northerly direc-  
12 tion?

13 A I'm aware that they have a tendency to  
14 drift in a northerly direction only as far down the sec-  
15 tion as to the top of the Wolfcamp. They drift in a nor-  
16 therly direction commonly in the Permian part of the sec-  
17 tion, but when they hit the top of the Wolfcamp, which is  
18 dipping at a different angle than the upper section, they  
19 have a tendency to come right on back.

20 Of the two or three wellbores that I've  
21 looked at that have deviation surveys on them, all of them  
22 have done the same thing, they've gone up dip on the Per-  
23 mian horizons, turned around and come right back, landed up  
24 within several tens of feet of the original wellbore sur-  
25 face location.

1                   That includes our No. 1 Howenstein that  
2 we ran a dipmeter survey on and the Pennzoil well.

3           Q           You said this was a very -- you felt it  
4 was a limited -- that there was -- this mound had limited  
5 extent to it. How much further north do you think it goes?

6           A           Just -- just barely beyond the -- where  
7 the map is. It just -- it closes right -- right due north  
8 of that, as far as we can tell.

9           Q           Do you have any idea whether this might  
10 be a one or two well mound?

11          A           If size comparisons are any good over  
12 here, it's probably no more than a two well feature, if  
13 it's that much. It might only be a one well feature, and  
14 that's the risk you take in drilling these -- these mounds,  
15 is that offsetting them is extremely -- offsetting a pro-  
16 ducing well is extremely risky and we've proven that on the  
17 No. 1 Howenstein, dry hole in Section 12; and we've proven  
18 that trying to offset the No. 2 Wright in the southwest  
19 quarter of Section 7, with our No. 1 Baker. Those are both  
20 dry hole offsets to producing wells.

21                   MR. CATANACH: I have no fur-  
22 ther questions at this time.

23                   The witness may be excused.

24                   Is there anything further in  
25 this case?

1 MR. HALL: No, sir.

2 MR. CATANACH: If not, it will  
3 be taken under advisement.  
4

5 (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. 9570,  
heard by me on January 4 1989.

David L. Cabanot, Examiner  
Oil Conservation Division