

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

17 February 1988

EXAMINER HEARING

IN THE MATTER OF:

Application of Nearburg Producing Com- CASE
pany for a nonstandard oil proration 9313
unit and an unorthodox oil well loca-
tion, Lea County, New Mexico.

BEFORE: David R. Catanach, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division:

For the Applicant:

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MR. CATANACH: All righty, here, let's call Case 9313, the application of Nearburg Producing Company for a nonstandard oil proration unit and an unorthodox oil well location, Lea County, New Mexico.

Are there appearances in this case?

MR. CARR: May it please the Examiner, my name is William F. Carr, with the law firm Campbell & Black, P. A., of Santa Fe. We represent Nearburg Producing Company and I have two witnesses in this case who have already been sworn.

Initially I would like to point out that this case, although advertised correctly by the Oil Conservation Division, will at the end of the hearing have to be continued to give us an opportunity to provide additional notice, the reason being that we filed an application seeking only an unorthodox well location.

The dedicated acreage varies again slightly due to a survey variation. There is, as the testimony will show, are 75.59 acres in the acreage to be dedicated. If this does not fall within a Commission-approved tolerance, which we originally thought it did, we will have to then also give notice and give people an opportunity to come in on the nonstandard proration unit portion

1 of the case. Again, this is probably something that would
2 be advisable for us to check with the Division following
3 the hearing and be certain that additional -- that a contin-
4 uance is needed. But in any event there is no hurry on the
5 well and we can afford a continuance so that we have an op-
6 portunity to correct that.

7 We would like to go forward
8 with the testimony.

9 MR. CATANACH: Okay. Let's pro-
10 ceed.

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MARK NEARBURG,

13 being called as a witness and having been previously sworn
14 and remaining under oath, testified as follows, to-wit:

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DIRECT EXAMINATION

17 BY MR. CARR:

18 Q Will you state your full name for the re-
19 cord, please?

20 A I'm Mark Nearburg.

21 Q Mr. Nearburg, by whom are you employed
22 and in what capacity?

23 A Nearburg Producing Company, Vice Presi-
24 dent and Land Manager.

25 Q Have you previously testified before the

1 Division and had your credentials as a landman accepted and
2 made a matter of record?

3 A Yes.

4 Q Are you familiar with the application
5 filed in this case?

6 A Yes.

7 Q Have you made a study of the subject area
8 and are you familiar with the proposed well?

9 A Yes.

10 MR. CARR: Are the witness'
11 qualifications acceptable?

12 MR. CATANACH: They are.

13 Q Would you briefly state what you seek
14 with this application?

15 A Nearburg seeks approval of a nonstandard
16 oil proration unit and unorthodox oil well location in Sec-
17 tion 7, Township 17 South, Range 38 East, to test the Strawn
18 formation in the South Humble City Strawn Pool.

19 Q Are there special pool rules in effect
20 for the South Humble City Strawn Pool?

21 A Yes.

22 Q And what do they provide as to well loca-
23 tion requirements and acreage dedication?

24 A Actually it's the Undesignated South Hum-
25 ble City Strawn Pool. It calls for 80-acre spacing units

1 and wells located within 150 feet of the center of a govern-
2 mental quarter quarter section.

3 Q Would you refer to what has been marked
4 as Nearburg Exhibit Number One, identify that, and review
5 it, please?

6 A This is Nearburg's Form C-101 and 102
7 submitted to the Hobbs NMOCD office. We've asked for ap-
8 proval of this subject to the order from this hearing.

9 Q And would you refer to the C-102 and
10 again review that and particularly reference the exact loca-
11 tion of the proposed well?

12 A Yes. The C-102 shows the west half
13 southwest quarter of Section 7 being the proration unit with
14 the well located 1300 feet from the south line and 400 feet
15 from the west line.

16 Q Will you now refer to Nearburg Exhibit
17 Number Two, identify this, and review it, please?

18 A This is a land map showing the proposed
19 well location with a red dot; the proration unit in yellow;
20 offset ownership; 100 percent Nearburg ownership is indi-
21 cated in green and the three orange arrows indicate wells
22 previously drilled by Nearburg to the Strawn.

23 Q Mr. Nearburg, the well is actually being
24 moved to the west or the northwest, is that not correct?

25 A Yes, that's true.

1 Q Are there any interest owners to the
2 north or northwest who would require notification under the
3 Division rules of this application?

4 A No.

5 Q You own all the acreage in that direc-
6 tion?

7 A Yes.

8 Q Were Exhibits One and Two prepared by
9 you?

10 A Yes.

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

13 MR. CATANACH: Exhibits One and
14 Two will be admitted as evidence.

15 MR. CARR: I might have just a
16 couple additional questions as to the nonstandard unit.

17 Q Mr. Nearburg, how many acres are there to
18 be dedicated to this well in the west half of the southwest
19 quarter of Section 7?

20 A Due to the survey errors, these two lots
21 are -- comprise a total of 75.50 acres.

22 Q As to other interest owners in the south-
23 west quarter of Section 7 who would have to be notified, who
24 are they and what is their interest?

25 A In the northeast quarter southwest quar-

1 ter Texaco has a lease on 4 net acres.

2 Q Are there any other interest owners in
3 that quarter section other than Nearburg and Texaco?

4 A No, and we're moving away form Texaco.

5 Q All right.

6 MR. CARR: I have nothing fur-
7 ther of Mr. Nearburg.

8 MR. CATANACH: I have no ques-
9 tions of the witness.

10 MR. CARR: At this time I would
11 call Mr. Mazzullo.

12

13 LOUIS MAZZULLO,

14 being called as a witness and having been previously sworn
15 and remaining under oath, testified as follows, to-wit:

16

17 DIRECT EXAMINATION

18 BY MR. CARR:

19 Q Will you state your full name for the re-
20 cord, please?

21 A Louis Mazzullo.

22 Q And, Mr. Mazzullo, by whom are you em-
23 ployed and in what capacity?

24 A Geological consultant on retainer to
25 Nearburg Producing Company of Dallas.

1 Q Have you previously testified before the
2 Division and had your credentials as a geologist accepted
3 and made a matter of record?

4 A Yes.

5 Q Are you familiar with the application
6 filed in this case on behalf of the Nearburgs?

7 A Yes.

8 Q Are you familiar with the proposed well?

9 A Yes, I am.

10 Q Would you refer to what has been marked
11 as Nearburg Exhibit Number Three, identify it and review
12 this exhibit for Mr. Catanach?

13 A Okay. Exhibit Three is a structure map
14 drawn on top of the Strawn limestone. The Strawn limestone
15 is the target horizon, the principal target horizon on -- at
16 the proposed location.

17 The structural, the regional structural
18 dip is shown to be to the east leading into a major north to
19 south trending fault which is down to the west just east of
20 our proposed location.

21 The hatched -- the shaded areas represent
22 those areas that are -- that contain under them build-ups of
23 carbonate algal, or patch reef mounds that constitute the
24 Strawn pay in this area.

25 The wells that are surrounded by trian-

1 gles are wells that are actually productive from the Strawn.

2 As you can see, the closures indicate
3 build-up, individual build-ups, on -- in the Strawn section
4 and you can see from this diagram as it typical in this
5 area, that each individual build-up is rather small in areal
6 extent and confined by dry holes all around them, dry holes
7 in the Strawn all around them.

8 In particular I'd like to draw your at-
9 tention to the line of section indicated by A-A', which pas-
10 ses through our proposed location, particularly the dry
11 holes to the north, which are Nearburg's Howenstein Wells,
12 the wells that had the 7843 and the 7803 subsea values on in
13 Section 12, the northeast quarter of Section 12.

14 These wells were drilled -- the original
15 Howenstein Well, which is the northernmost well, was drilled
16 after the completion of the No. 1 Wright. The No. 1 Wright
17 intersected marginal product -- not marginal, it intersected
18 the Strawn patch reefs along the edge of one of the patch
19 reef build-ups, rather than in the -- in the middle of it.

20 We moved off from the No. 1 Wright and
21 drilled the No. 1 Howenstein to the north, and as you can
22 see, it's not that great a distance, and it was a dry hole
23 just completely out of the productive porosity.

24 We then sidetracked that well to the
25 southeast and came within what I consider to be just a couple

1 of hundred feet from the productive facies and we still were
2 unable to intersect any pay porosity at all.

3 I point this out in order to show you how
4 sensitive and how closely spaced and small in areal extent
5 these -- these patch reefs can be.

6 We then came in and drilled the No. 2
7 Wright later on. The No. 2 Wright was completed again along
8 the edge of one of these patch reef build-ups.

9 We propose to drill the location, our No.
10 1 Baker where we had it proposed, because if we stray too
11 far away from the No. 2 Wright, which is what we want to
12 offset, we're afraid we might drill a dry hole, so with that
13 in mind, considering the size of these patch reefs, we'd
14 like to stay as close to the west section line of Section 7
15 as possible.

16 Q In your opinion what would be the effect
17 of drilling a well at a standard location on this tract?

18 A It would greatly increase our risk of
19 drilling a dry hole.

20 Q Was Exhibit Number Three prepared by you?

21 A Yes, it was.

22 MR. CARR: At this time, Mr.
23 Catanach, we would offer Nearburg Exhibit Number Three.

24 MR. CATANACH: Exhibit Number
25 Three will be admitted into evidence.

1 MR. CARR: That concludes my
2 examination of Mr. Mazzullo.

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CROSS EXAMINATION

5 BY MR. MAZZULLO:

6 Q Do you really know how -- do you know how
7 far east your porosity or your mound goes to?

8 A No, we don't know. That's -- that's the
9 point of offsetting the No. 2 Wright as close as possible
10 because, as you can tell from the size of the other -- the
11 presumed size of the other reefs that we have plotted out
12 there, they're rather small. I wouldn't give it -- I
13 wouldn't give it -- I'd be afraid to go any further east
14 than the proposed location.

15 They could be of any shape, too. They
16 don't need to be round or, you know, they don't necessarily
17 need to be as wide as I showed over there. It could be
18 quite a bit narrower than that.

19 Q Is the Wright -- is that Wright No. 2
20 Well, is that a pretty good producing well?

21 A Yeah, it's a top allowable well, as is
22 the No. 1 Wright. The No. 1 Wright is just a few hundred
23 feet away from the dry hole.

24 Q Those are both top allowable wells?

25 A They're both top allowable wells.

1 Q So you -- you believe that you'll be
2 draining the same mound with that number -- with the pro-
3 posed well.

4 A We'll probably be draining the No. 2
5 Wright mound but in a structurally higher position; hopeful-
6 ly, anyway.

7 Q But you do believe it's all one -- one --

8 A Yes. Yes.

9 Q -- single mound.

10 A The reason for the closure is to imply
11 that you're gaining more stratigraphic section because of
12 the presence of the mound. It's producing from a lower zone
13 anyway. It does -- it's not the same zone that the No. 2
14 Wright is producing from. It's stratigraphically lower.

15 MR. CATANACH: That's all I
16 have of the witness. He may be excused.

17 MR. CARR: We have nothing fur-
18 ther.

19 MR. CATANACH: Being nothing
20 further in Case 9313, let's see, we're going to leave the
21 record open on this one and --

22 MR. CARR; We'll get with you
23 about whether or not additional -- if we could just continue
24 this until the 16th, that would give us an opportunity to
25 provide additional notice if, in fact, we're required to do

1 that.

2 MR. CATANACH: Okay, we'll just
3 continue it to the 16th and leave the record open on this
4 case.

5 MR. CARR: Thank you.

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7 (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. 9313, heard by me on February 17, 1988.

David R. Catam, Examiner
Oil Conservation Division