

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 17 February 1988

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Nearburg Producing Com- CASE
10 pany for an unorthodox gas well loca- 9314
11 tion, Eddy County, New Mexico.

12
13 BEFORE: David R. Catanach, Examiner
14
15

16 TRANSCRIPT OF HEARING
17
18

19 A P P E A R A N C E S
20

21 For the Division:
22

23 For the Applicant:

24 William F. Carr
25 Attorney at Law
CAMPBELL & BLACK, P. A.
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Santa Fe, New Mexico 87501

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MR. CATANACH: Call Case 9314, which is the application of Nearburg Producing Company for an unorthodox gas well location, Eddy 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.

MR. CATANACH: Let the record show that the witnesses have been previously sworn in previous cases.

You may proceed.

MR. CARR: And, Mr. Catanach, this case also was not run in the Artesia paper and therefore it will have to be continued to the 16th.

MR. CATANACH: Okay, we'll continue this case to March 16th.

MR. CARR: And we'd like to go ahead with our evidence at this time.

MR. CATANACH: You may proceed.

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MARK NEARBURG,

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

DIRECT EXAMINATION

BY MR. CARR:

Q Would you state your full name for the record, please?

A Mark Nearburg.

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

A Nearburg Producing Company, Vice President and Land Manager.

Q Have you previously testified before this Division and had your credentials as a landman accepted and made a matter of record?

A Yes.

Q Are you familiar with the application filed in this case and the proposed well location?

A Yes.

Q Have you made a study of the area?

A Yes.

MR. CARR: Are the witness' qualifications acceptable?

1 MR. CATANACH: They are.

2 Q Mr. Nearburg, would you briefly state
3 what you seek with this application?

4 A Nearburg seeks approval of an unorthodox
5 gas well location in Section 14, Township 20 South, Range 25
6 East, to test the Morrow formation.

7 Q Are there special pool rules in effect
8 for this area or are they governed by statewide rules?

9 A Statewide rules.

10 Q What well location -- are the well loca-
11 tion requirements for a well in this area?

12 A 320-acre spacing, the well located no
13 closer than 660 feet to the end line and -- no, 660 feet
14 from the side boundary and 1980 feet from the end boundary.

15 Q Would you refer to what has been marked
16 for identification as Nearburg Exhibit Number One, identify
17 that for Mr. Catanach and review the information contained
18 thereon?

19 A This is Nearburg's Form C-101 and 102,
20 submitted to the Artesia office of the NMOCD. We've asked
21 for approval subject to the order from this hearing.

22 Q Would you go to page two of that exhibit
23 and identify the well location?

24 A Yes. The well is located 660 feet from
25 the west and north lines in the northwest quarter northwest

1 quarter.

2 Q And so the well is in fact unorthodox to-
3 ward the west.

4 A Yes.

5 Q And who is the operator to the west?

6 A Nearburg.

7 Q Would you now go to Nearburg Exhibit Num-
8 ber Two and identify this?

9 A Nearburg is re-entering a previously
10 abandoned hole that did not produce that was drilled to 445
11 feet by Santa Fe Exploration Company in 1983.

12 Q And what is Exhibit Number Two?

13 A Exhibit Number Two is the Form C-103 for
14 plugging the well by Santa Fe, which was approved by the
15 Commission. The well was plugged, all the leases terminated
16 that were held by Santa Fe, and Nearburg currently owns 100
17 percent of the proration unit.

18 Q Would you now identify what has been
19 marked Nearburg Exhibit Number Three and Nearburg Exhibit
20 Number Four?

21 A Exhibit Number Three is the order of the
22 Commission previously approving this location for Santa Fe's
23 request to drill a Morrow test well.

24 Q And is Exhibit Number Four the order
25 resulting -- entered after a de novo hearing in this matter?

1 A Yes, it is.

2 Q And was a location also approved in that
3 proceeding?

4 A Yes.

5 Q Was a penalty imposed on the production?

6 A Yes.

7 Q And what was that penalty?

8 A The operator would be allowed to produce
9 70 percent of the allowable or the -- since this is not in a
10 prorated area, the capacity of the well.

11 Q Since the entry of that order has Near-
12 burg acquired the offsetting interests?

13 A Yes.

14 Q Would you now refer to what has been mar-
15 ked as Nearburg Exhibit Number Five, identify this, and re-
16 view it for Mr. Catanach?

17 A Exhibit Number Five a land plat of the
18 general area showing the proration unit in yellow, the test
19 well location in red, and identifies Nerburg as owning all
20 the offset acreage.

21 Q Now, Mr. Nearburg, the proposed well is
22 only 660 feet from the end line of the north half of Section
23 14.

24 A Yes.

25 Q How close to that common boundary is the

1 development in the same formation in the northeast of Sec-
2 tion 15?

3 A The well is 660 feet from the east boun-
4 dary of Section 15.

5 Nearburg is currently developing the east
6 half of Section 15 with a well located 1755 from the north
7 line and 660 feet from the east line. We're currently drill-
8 ing to the Morrow formation.

9 Q So you have a well offsetting the common
10 boundary between the subject acreage and the offsetting ac-
11 reage and they're equidistant from the line between the two.

12 A Yes.

13 Q Was notice of this proceeding required to
14 any offset operator?

15 A No.

16 Q And the reason is you are the offsetting
17 operator?

18 A Yes.

19 Q In all directions toward which the well
20 is being moved?

21 A Yes.

22 Q Do you have anything further to add to
23 your testimony?

24 A No.

25 Q Were Exhibits One through Five compiled

1 by you?

2 A Yes.

3 MR. CARR: At this time, Mr.
4 Catanach, we would move the admission of Nearburg Exhibits
5 One through Five.

6 MR. CATANACH: Exhibits One
7 through Five will be admitted as evidence.

8 MR. CARR: I have no further
9 questions of Mr. Nearburg.

10

11

CROSS EXAMINATION

12 BY MR. CATANACH:

13 Q Mr. Nearburg, Order No. R-6933 instituted
14 a penalty against the well. Do you know what offset opera-
15 tor had objected at that time?

16 A Yes, Nearburg.

17 Q I take it that you are now under the
18 opinion that there should not be a penalty on the well?

19 A Yes, for the reason that we are also de-
20 veloping the acreage that we're moving toward.

21 Q Was it my understanding that you're drill-
22 ling a Morrow well in the east half of Section 15?

23 A Yes, it's in the -- it's in the northeast
24 -- it's in the east half northeast quarter of Section 15,
25 1755 from the north line and 660 from the east line of Sec-

1 tion 15.

2 That well is currently below 9000 feet.

3 Q Okay, that will be an east half dedica-
4 tion.

5 A Yes.

6 Q Okay.

7 MR. CATRANACH: I have no fur-
8 ther questions of the witness.

9 MR. CARR: At this time we call
10 Mr. Mazzullo.

11

12 LOUIS MAZZULLO,
13 being called as a witness previously sworn and remaining un-
14 der oath, testified as follows, to-wit:

15

16 DIRECT EXAMINATION

17 BY MR. CARR:

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

20 A Louis Mazzullo.

21 Q Mr. Mazzullo, are you the same Mr. Maz-
22 zullo who testified in the previous cases and has had your
23 qualifications as a geologist accepted and made a matter of
24 record?

25 A I am.

1 Q Are you familiar with the application of
2 Mr. Nearburg in this case and the proposed well?

3 A Yes, I am.

4 MR. CARR: Are the witness'
5 qualifications acceptable?

6 MR. CATANACH: They are.

7 Q Would you refer to what has been marked
8 for identification as Nearburg Exhibit Number Six, identify
9 this and review it, please?

10 A Exhibit Number Six is an Isopach or
11 thickness map of the Morrow section from the top of the Mid-
12 dle Morrow or the top of the Clastics, to the base of the
13 Barnett, so it includes the lower and the middle Morrow in-
14 tervals.

15 The values assigned to each well are the
16 -- is the thickness of the total section.

17 The shaded areas represent those areas
18 that meet a minimum porosity cutoff. In this case it's 15
19 feet of 8 percent porosity. This minimum cutoff is estab-
20 lished by production in nearby wells, surrounding wells, and
21 constitutes what is the minimum porosity necessary to make a
22 well productive in the Morrow in this particular area.

23 The Isopach map shows a very -- a thick-
24 ening trend that includes wells drilled by Nearburg, the
25 wells being the No. 1 Huber in Section 3, the No. 1-10 And-

1 person in the northwest of the northeast of Section 10; pre-
2 sumably includes the well that we're currently drilling in
3 the northeast quarter of Section 15, and encompasses, we
4 believe, the proposed location, the area around the proposed
5 location.

6 The structural dip, the regional struc-
7 tural dip in this area is to the southeast, as shown by that
8 bold dip symbol in the right side of the diagram.

9 Wells with the solid coloration in it are
10 productive from the Morrow.

11 The well in Section 2, which has a value
12 of 251 assigned to it, is a well that was drilled by Exxon
13 that has produced the very minimum amount of gas and since
14 been plugged, it was not a very economical well, very mar-
15 ginal, as was the No. 1 Rio Siete in Section 11, in the
16 south half of Section 11. Again it was plugged after pro-
17 ducing this very little bit of oil and it was -- gas in the
18 Morrow, it was recompleted as a poor Yeso oil well up hole.

19 Those two wells are shown to point out
20 that they are outside of the trend of the thickening -- of
21 the thick Morrow reservoir section that I depicted going
22 through our other wells. They are marginal to that trend
23 and consequently -- and don't contain the minimum amount of
24 porosity that make productive wells in this area and conse-
25 quently did not make any gas to speak of.

1 I believe that on the basis of my region-
2 al mapping the optimum porosity trend is included somewhere
3 in an area outlined by the shaded coloration on this dia-
4 gram.

5 Q And what would be the effect of drilling
6 at a standard location?

7 A Drilling at a standard location would in-
8 crease our risk of becoming marginal to this trend and drill-
9 ling a tight, dry hole.

10 Q Would you now refer to what has been mar-
11 ked as Nearburg Exhibit Number Seven, first identify it, and
12 then review the information on that exhibit for the exam-
13 iner?

14 A Exhibit Number Seven is a structural
15 cross section which includes the Nearburg No. 1 Huber in
16 Section 3; proceeds down dip to the No. 1-10 Anderson in
17 Section 10; from there down dip to the proposed location and
18 far down dip to a well in Section 24.

19 The areas that are colored in brown refer
20 to tight sands. These are based on drill stem tests and/or
21 production tests or log analysis.

22 Areas that are shaded in blue are pre-
23 sumed waterlegs, water-bearing sandstones.

24 Areas that are colored in flashing pink
25 are presumed gas legs, presumed or real gas legs in these

1 same sands.

2 We are -- we see in the No. 1 Huber and
3 the No. 1-10 Anderson that we're in a very thick -- there's
4 a very thick sequence of very porous and permeable sand that
5 constitutes the major reservoir in both of those wells, both
6 the Anderson and the Huber, with the exception that in the
7 Huber we're seeing some evidence of loss of porosity, a lit-
8 tle bit of loss of porosity, maybe because we're moving a
9 little bit marginal to the trend in one direction or an-
10 other. Even though we're in a thick portion of sand, we're
11 getting off of the thickest portion of that sand just enough
12 to tighten the rocks up a little bit, not enough to affect
13 the producibility but enough to be noticeable (unclear). As
14 you could see -- and -- and those are presumably all gas-
15 bearing. There's no evidence of a gas/water contact in
16 there.

17 When you proceed down dip from the pro-
18 posed location all the way down to Section 24, the sands
19 that are presumably correlative in part to the producing
20 sands up dip are shown by drill stem tests to be tight,
21 whereas, two lower sands that are not correlative to any-
22 thing in either one of those producing wells are the -- are
23 the zones that were perforated and potentialized for a million
24 and a half a day.

25 What we presume to do or propose to do on

1 -- at the location is to stay within the trend of the thick-
2 est sand as I have determined it from regional analysis of
3 the Morrow in this area, and get up dip of the tight, mar-
4 ginal, in this case channel marginal sands that are present
5 down dip, into a more structurally favored position. In
6 that -- in that way structure is important; otherwise these
7 are primarily stratigraphic traps in nature.

8 Q Mr. Mazzulo, in your opinion will a well
9 at the proposed location produce hydrocarbons from the Mor-
10 row formation that otherwise would not be produced?

11 A Yes.

12 Q In your opinion will drilling a well and
13 producing well at this location be in the best interest of
14 conservation, the prevention of waste, and the protection of
15 correlative rights?

16 A Yes.

17 Q Were Exhibits Six and Seven prepared by
18 you?

19 A They were.

20 MR. CARR: At this time we
21 would move the admission of Nearburg Exhibits Six and Seven.

22 MR. CATANACH: Exhibits Six and
23 Seven will be admitted as evidence.

24 MR. CARR: And that concludes
25 my examination of Mr. Mazzullo.

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MR. CATANACH: I have no ques-

tions of the witness.

MR. CARR: We have nothing

further.

MR. CATANACH: Being nothing

further in Case 9314, it will be taken under advisement.

(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. 9314, heard by me on February 12, 1988.

David R. Cabank, Examiner
Oil Conservation Division

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
7 2 March 1988

8 EXAMINER HEARING

9 IN THE MATTER OF:

10 Application of Nearburg Producing Company to amend Division Order No. R-6933, as amended, Eddy county, New Mexico. CASE 9314

11
12 BEFORE: Michael E. Stogner, Examiner
13

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15 TRANSCRIPT OF HEARING
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18 A P P E A R A N C E S
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20 For the Division:
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23 For the Applicant:
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MR. STOGNER: Call next Case Number 9314, which is the application of Nearburg Producing Company to amend Division Order No. R-6933, as amended, Eddy County, New Mexico.

This case was heard on February 17th, 1988; however, due to an error in the advertisement this case was continued for today's hearing, but due to another advertisement error in the Artesia paper, this case will be continued and readvertised for March 16th, 1988.

(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. 9314 heard by me on 12 March 1988.
Michael E. Starnes Examiner
Oil Conservation Division

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
7 16 March 1988

8 EXAMINER HEARING

9 IN THE MATTER OF:

10 Application of Nearburg Producing CASE
11 Company to amend Division Order No. 9314
12 R-6933, as amended, Eddy county, New
13 Mexico.

14 BEFORE: David R. Catanach, Examiner

15
16 TRANSCRIPT OF HEARING

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18 A P P E A R A N C E S

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21 For the Division:

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24 For the Applicant:
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MR. CATANACH: Call next 9314.
Application of Nearburg
Producing Company to amend Division Order No. R-6933, as
amended, Eddy County, New Mexico.

This case was heard on February
17th and had to be readvertised.

Are there appearances in this
case?

If not, this case will be taken
under advisement.

(Hearing concluded.)

