

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 13 April 1988

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Nearburg Production CASE
10 Company for an unorthodox gas well 9352
11 location, Eddy County, New Mexico.

12 BEFORE: David R. Catanach, Examiner

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15 TRANSCRIPT OF HEARING

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

19 For the Division: Charles E. Roybal
20 Legal Counsel for the Division
21 Oil Conservation Division
22 State Land Office Building
23 Santa Fe, New Mexico 87501

24 For the Applicant: William F. Carr
25 Attorney at Law
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I N D E X

CHARLES E. NEARBURG

Direct Examination by Mr. Carr	4
Cross Examination by Mr. Catanach	11

E X H I B I T S

Nearburg Exhibit One, Land Plat	5
Nearburg Exhibit Two, C-102	7
Nearburg Exhibit Three, Isopach	7
Nearburg Exhibit Four, Cross Section	7

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MR. CATANACH: Call next Case
9352.

MR. ROYBAL: Case 9352. Appli-
cation of Nearburg Producing Company for an unorthodox well
location, Eddy County, New Mexico.

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

MR. CARR: May it please the
Examiner, my name is William F. Carr with the law firm Camp-
bell & Black, P. A. of Santa Fe. We present Nearburg Pro-
ducing Company and I have one witness.

MR. CATANACH: Are there any
other appearances in this case?

Will the witness please stand
and be sworn in?

(Witness sworn.)

CHARLES E. NEARBURG,
being called as a witness and being duly sworn upon his
oath, testified as follows, to-wit:

1 DIRECT EXAMINATION

2 BY MR. CARR:

3 Q Will you state your full name for the
4 record, please?

5 A Charles Eugene Nearburg.

6 Q Mr. Nearburg, where do you reside?

7 A Dallas, Texas.

8 Q By whom are you employed and in what
9 capacity?10 A I'm president of Nearburg Producing
11 Company.12 Q Mr. Nearburg, have you previously
13 testified before this Division and had your credentials
14 accepted and made a matter of record?

15 A Yes, sir, on several occasions.

16 Q Are you familiar with the application
17 filed on behalf of Nearburg in this matter?

18 A Yes, sir, I am.

19 Q And are you familiar with the subject
20 well?

21 A Yes, I am.

22 MR. CARR: Are the witness'
23 qualifications acceptable?

24 MR. CATANACH: They are.

25 Q Mr. Nearburg, would you briefly state

1 what you seek with this application?

2 A We seek approval of an unorthodox gas
3 well location 1980 feet from the north line and 330 feet
4 from the west line of Section 11, Township 20 South, Range
5 25 East, Eddy County, New Mexico.

6 Q And to what formation is this well
7 projected?

8 A To the Morrow in the Cemetery Morrow Gas
9 Pool.

10 Q Could you -- are you familiar with the
11 rules for this particular pool?

12 A Yes.

13 Q And what is the spacing requirement in
14 this pool?

15 A The spacing is 320 acres.

16 Q And the well location requirements?

17 A The well location requirements are for a
18 stand-up unit such we have are 1980 from the north, 660 from
19 the west.

20 Q Have you prepared certain exhibits for
21 introduction in this case?

22 A Yes, we have.

23 Q Would you refer to what has been marked
24 for identification as Nearburg Exhibit Number One, identify
25 this and review the information contained on this exhibit?

1 A Yes. This exhibit is a land plat showing
2 in -- showing the proposed spacing unit outlined in yellow
3 with the proposed well location indicated by a red dot with
4 an arrow.

5 Other development in the area is the
6 Nearburg Producing Company Anderson Com No. 1, which is the
7 orange proration unit in the north half of Section 10 immed-
8 iately to the west of the proposed well location.

9 There is common mineral ownership under
10 the areas striped in green.

11 Q Now, Mr. Nearburg, you represent or con-
12 trol all of Section 10, do you not?

13 A That's correct.

14 Q And the proposed well location is a
15 standard distance from the north line of the acreage dedi-
16 cated to this well.

17 A That's correct. The only direction in
18 which we're moving nonstandard is toward ourself.

19 Q And what is the status of this well?

20 A The well is currently drilling. We had
21 to commence operations as a result of not being able to get
22 an extension from -- on some of the leases.

23 Q And so you spudded the well to prevent
24 lease expiration?

25 A That's correct.

1 Q Is Exhibit Number Two a copy of Division
2 Form C-102 approving the location subject to this hearing?

3 A Yes, it is.

4 Q Mr. Nearburg, how important is structure
5 in determining whether or not you're going to have a suc-
6 cessful well in the area, and you might in response to this
7 question refer to Nearburg Exhibit Number Three.

8 A Structure is -- is somewhat important but
9 it's less important than stratigraphic position.

10 As Exhibit Three points out, this is our
11 interpretation of the Isopach of the Lower B Morrow Sand,
12 which is our primary target here, and based on offset well
13 control to the -- to the -- further to the east, we are
14 quite concerned that if we drilled at the standard location
15 we might miss the productive Isopach interval.

16 Q And by locating the well at the proposed
17 location you're really in the center of the -- what you be-
18 lieve to be the productive area?

19 A Right. We feel like for this proration
20 unit this is the only location that really gives us a chance
21 worth -- of hitting this sand worth taking the risk in drill-
22 ing the well.

23 Q Would you refer to what has been marked
24 as Nearburg Exhibit Number Four, which is a cross section,
25 and identify that and briefly review it for Mr. Catanach?

1 A Yes. This cross section traverses sever-
2 al wells from north to south and a little to the east in
3 this area.

4 The leftmost well is the former J. M.
5 Huber Irami (sic) Federal, which was subsequently re-entered
6 by Chama Petroleum, which was the forerunner of the Nearburg
7 Producing Company, and we re-entered in the Clorieta Yeso;
8 however, this well was drilled to the Morrow and as the log
9 indicates, it was tight and was drill stem tested tight, and
10 would not make a Morrow well.

11 We then proceed on down to the -- what is
12 now the Nearburg Producing Company Huber Federal No. 2,
13 which was drilled by Nearburg, and was -- encountered some
14 very thin lenses of Morrow Sand which required fracture
15 stimulation in order to produce.

16 We then moved to the next proration unit
17 south, which is the Nearburg -- now the Nearburg Producing
18 Company Huber Federal No. 1. This well, actually, chrono-
19 logically was drilled before the Huber No. 2, and here we
20 encountered a very thick deposition of Morrow Sand and the
21 well completed naturally for a very good well, but the close
22 spacing between these two wells is very indicative of what
23 can happen in the Morrow in this area of Eddy County, where
24 one proration unit away, or a few feet away, you can run out
25 of depositional thickness and sand quality.

1 We then proceeded south to the -- what is
2 now the Nearburg Producing Company Anderson Com No. 1, which
3 intersected portions of the sand that was found in the Huber
4 Federal No. 1 but with not quite as good a development, al-
5 though it was completed naturally.

6 We are now proposing to move over onto
7 this same mineral owners acreage in Section 11 and drill an
8 offset to this Anderson well. The -- this is the first off-
9 set we've drilled in this area in several years, due to the
10 nature of the gas market, and we feel it's very important to
11 try to make the best well possible in this current gas
12 climate. But we feel like at this proposed location we have
13 an opportunity to intersect some of the stratigraphic build-
14 ups which occurred in the Anderson Com No. 1, whereas, if we
15 move further to the east we're quite concerned about running
16 into the sequence that occurred in the Amoco-Rio Siete Well,
17 which is the last well on the cross section and is in the
18 northwest of the southeast of Section 11. This well encoun-
19 tered very little gross thickness of sand. None of it was
20 very clean. It had very low porosity and low permeability.
21 It ws completed as a fairly marginal well by Amoco, produced
22 at only 139,000 MCF of gas and was subsequently after that
23 point plugged and abandoned.

24 They made a recompletion attempt in the
25 Yeso, which was also marginal and the well has now been to-

1
2 tally plugged and abandoned.

3 Q Now, Mr. Nearburg, in your opinion would
4 approval of this application enable you to produce gas that
5 otherwise might not be produced?

6 A We feel very strongly that it would.

7 Q In your opinion will approving this ap-
8 plication be in the best interest of conservation, the pre-
9 vention of waste and the protection of correlative rights?

10 A Yes, we do.

11 Q Were exhibits One through Four either
12 prepared by you or compiled under your direction?

13 A Yes, they were.

14 Q And can you testify as to their accuracy?

15 A Yes.

16 MR. CARR: At this time, Mr.
17 Catanach, we would move the admission of Nearburg Exhibits
18 One through Four.

19 MR. CATANACH: Exhibits One
20 through Four will be admitted as evidence.

21 MR. CARR: And, Mr. Catanach,
22 at this time I would state that inasmuch as were only moving
23 toward ourselves, there was no one to whom notice was re-
24 quired to be given pursuant to Division Rule 1207.

25 That concludes my direct exam-
ination of Mr. Nearburg.

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CROSS EXAMINATION

3 BY MR. CATANACH:

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Q Mr. Nearburg, did I understand that you control all of Section 10?

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A Yes, sir, that's correct.

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Q Looking at your Isopach map, I can't -- I can't really see how 330 feet would make a difference in the amount of sand you'd encounter.

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A Well, we really believe it is. We've drilled probably in excess of 12 wells in this area now and we've had offsets as close as -- we've had offsets closer than, for instance, between the Huber Federal No. 1 and the Huber Federal No. 2. There, the Huber Federal No. 2 is 1980 from the north and the Huber Federal No. 1 is 1980 from the south and so in the gap between those two wells, which is closer than the distance between this well and any other producing well out there, if you'll look at the cross section, you can see the dramatic difference between the Huber Federal No. 1 and the Huber Federal No. 2, and we, you know, while the Isopach map in itself is just a measure of sand thickness, it isn't -- it doesn't really contain the detailed information about the quality of the sand and as you get to the edges of these channels, you can get higher cementation and secondary -- secondary factors that affect

1 and limit the permeability and the porosity, and this is
2 what we're primarily concerned about here, is -- is that we
3 feel that distances, you know, we'd probably try to drill it
4 even closer, if we could.

5 Q The Anderson Well, you said that was a
6 pretty good well?

7 A Yes, sir, it's quite a good well. It's
8 cumed in excess of a billion cubic feet at this point and --
9 and had a calculated open flow of about 3-million, 3.3-mil-
10 lion when it was originally completed.

11 Q And the other well in Section 11, I guess
12 --

13 A That was the Amoco-Rio Siete Well, which
14 is 1980 from the south and 1980 from the east, and this is a
15 well that has convinced us that we need to move to the west
16 as much as feasible because, as you can see on the cross
17 section, not only did we not get any decent sand thicknesses
18 but we developed -- I mean there's virtually no clean sand.
19 The amount of crossover in any of those A or B intervals is
20 almost nonexistent and it's just a, you know, extremely mar-
21 ginal well, and so somewhere between our proposed location,
22 you know, this pinchout of these sands occurs somewhere be-
23 tween these two wells, and we think there is probably a
24 fault occurring. I didn't comment on that earlier. We
25 think there's probably a fault occurring, not a major fault,

1 but a minor fault occurring between these two wells, which
2 is helping control this deposition, and we just -- it's not
3 possible on seismic to pick up something of this magnitude
4 in this area, due to the velocity, the lack of velocity dif-
5 ferences between the -- between the Morrow sands and the en-
6 casing shales, and so we just feel that the -- well, that
7 the 660 location was just -- was just too risky and as the
8 Anderson 10 was drilled at a standard location, and the min-
9 oral ownership was the same, we felt like this would be in
10 the best interest of all parties.

11 MR. CATANACH: I have no
12 further questions of the witness.

13 You may be excused.

14 MR. NEARBURG: Thank you.

15 MR. CATANACH: Is there
16 anything further in Case 9352?

17 MR. CARR: Nothing further.

18 MR. CATANACH: All right, it
19 will be taken under advisement.

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21 (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 and true record of the proceedings in
the transcript of hearing of Case No. 4352,
heard by me on 4-13- 1981.

David R. Cabank, Secretary
Oil Conservation Division

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date APRIL 13, 1988 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
William F. Fair	Campbell and Jack, P.A.	Santa Fe
Paul W. Guckell	El Paso Natural Gas	El Paso TX
Paul Whitty	OCD	Hobbs
J. Bruce	Hinkle Law Firm	SF
V. Anderson	OCD	SF
W. T. Kelleher	Kelleher Kelleher Anthony	Santa Fe
Dwight Sherenton	Moncrief Oil	Midland
Charles Nearburg	Nearburg Producing	Dallas
Tracy LeCocq	Byram	Santa Fe
Gary Green	Santa Fe Energy Company	Midland
Adam Vavourakis	Kriti Exploration	Houston
Dennis Justice	Santa Fe Energy Co.	Midland
Maurice Turner	DPOBA	Santa Fe