

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO

15 July 1987

EXAMINER HEARING

IN THE MATTER OF:

Application of Nearburg Producing      CASE  
Company for an unorthodox oil well      9172  
location, Lea County, New Mexico.

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division:

For the Applicant:

William F. Carr  
Attorney at Law  
CAMPBELL & BLACK P.A.  
P. O. Box 2208  
Santa Fe, New Mexico 87501

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## I N D E X

STATEMENT BY MR. CARR

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CHARLES E. NEARBURG

Direct Examination by Mr. Carr

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Cross Examination by Mr. Stogner

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## E X H I B I T S

Nearburg Exhibit One, Land Map

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Nearburg Exhibit Two, Letters, etc.

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Nearburg Exhibit Three, Seismic Map

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MR. STOGNER: Call next Case Numbaer 9172, which is the application of Nearburg Producing Company for an unorthodox oil well location, Lea County, New Mexico.

I call for appearances.

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 have one witness.

MR. STOGNER: Are there any other appearances in this matter?

There being none, will the witness please stand?

(Witness sworn.)

MR. STOGNER: Mr. Carr.

MR. CARR: May it please the Examiner, Nearburg Producing Company is seeking approval of an unorthodox well location. The actual location of the well is 760 feet from the east line, 1200 feet from the south line, of Section 12, Township 17 South, Range 37 East.

The case has been advertised at 660 feet from the east line instead of 760 feet. We have

1 communicated with the Division about this. The case has  
2 been readvertised for July 29, but with your permission we  
3 would like to go forward and present the case at this time.

4 MR. STOGNER: Okay, Mr. Carr, I  
5 know you understand that no order can be issued on this case  
6 until we call it for July 29th, 1987 hearing.

7 You may continue.

8  
9 CHARLES E. NEARBURG,  
10 being called as a witness and being duly sworn upon his  
11 oath, testified as follows, to-wit:

12  
13 DIRECT EXAMINATION

14 BY MR. CARR:

15 Q Will you state your full name and place  
16 of residence?

17 A Charles E. Nearburg, Dallas, Texas.

18 Q By whom are you employed and in what ca-  
19 pacity?

20 A I'm the President of Nearburg Producing  
21 Company.

22 Q Have you previously testified before this  
23 Division and had your credentials accepted and made a matter  
24 of record?

25 A Yes, I've testified on several occasions

1 and had my credentials as an engineering witness accepted.

2 Q Are you familiar with the applications  
3 filed in this case?

4 A Yes, sir, I am.

5 Q Are you familiar with what Nearburg Pro-  
6 ducing Company seeks in this matter?

7 A Yes, I am.

8 MR. CARR: Are the witness'  
9 qualifications acceptable?

10 MR. STOGNER: They are.

11 Q Would you briefly state what Nearburg  
12 seeks with this application?

13 A Nearburg Producing Company seeks approval  
14 of an unorthodox well location 760 feet from the east line,  
15 1200 feet from the south line of Section 12, Township 17  
16 South, Range 37 East, in the South Humble City Strawn Pool,  
17 on a proration unit consisting of the south half of the  
18 southeast quarter of Section 12.

19 Q Would you refer to what has been marked  
20 for identification as Nearburg Exhibit Number One, identify  
21 this and then review the information on that exhibit for Mr.  
22 Stogner.

23 A Exhibit Number One is a land map showing  
24 several things.

25 It shows the proposed well location by a

1 circle with a red arrow pointing to it and the proration  
2 unit for that well highlighted in yellow.

3 The area inside the cross hatch is a area  
4 in which Nearburg owns or is operator for 100 percent of the  
5 working interest, and in green is the proration unit for the  
6 Wright No. 1 Well, which is a producing well that we have  
7 drilled, and in blue is the -- was the proration unit for  
8 the Howenstein No. 1 and the Howenstein No. 1 sidetrack,  
9 which were both dry holes which we also drilled.

10 Q Now, Mr. Nearburg, on this exhibit for  
11 the Howenstein wells you've -- there's an arrow on that blue  
12 tract. Would you explain that arrow, please?

13 A Yes. The dry hole marker furthest to the  
14 northwest was mislocated and I've located it in the appro-  
15 priate position and drawn an arrow.

16 These are more accurately depicted on a  
17 subsequent exhibit.

18 Q Does this exhibit also show other devel-  
19 opment in the area?

20 A This map is -- doesn't show -- it shows  
21 all the activity relevant to this hearing. There has been a  
22 recent well drilled as a dry hole over in Section 11 that's  
23 not shown, but it's not an offset to anything in this hear-  
24 ing.

25 Q Would you now review the ownership status

1 of the northeast quarter of Section 13?

2           A           The northeast quarter of Section 13,  
3 Nearburg has a 12-1/2 percent interest or approximately 20  
4 net acres under lease, and other interest owners have an  
5 87.5 percent interest under lease. These owners consist of  
6 Louisiana Land and Exploration as successor to Inexco; and  
7 the balance of the interest owners, to my knowledge, are al-  
8 so working interest owners with us in our well.

9           Q           What is the status of the northwest quar-  
10 ter of Section 13?

11           A           Northwest quarter of Section 13 is held  
12 by production by the now Louisiana Land and Exploration Ash-  
13 land No. 1 Well, which is located in the northwest quarter  
14 of Section 13.

15           Q           Mr. Nearburg, have you as an operator and  
16 working interest owner, drilled other Strawn wells in this  
17 immediate area?

18           A           Yes. As I previously referred to, we  
19 have drilled the Wright No. 1 as a producer and the Howen-  
20 stein and the Howenstein sidetrack as dry holes.

21           Q           Would you compare the location of the  
22 well which you're proposing today with the location of the  
23 Wright No. 1 Well, which is located on the 80-acre spacing  
24 unit directly north of the one that's the subject of today's  
25 hearing?

1           A           Yes. The -- the Wright No. 2 Well, which  
2 is the nonstandard location that we're applying for today,  
3 is nonstandard to the same degree that the Wright No. 1 is  
4 nonstandard.

5           Q           And that's immediately to the north of  
6 the proposed --

7           A           Yes, sir, that's correct.

8           Q           What are the spacing requirements for the  
9 South Humble City Strawn Pool?

10          A           Those are -- the spacing requirements are  
11 80-acre spacing units with wells to be located within 150  
12 feet of the center of the quarter quarter section.

13          Q           So you're proposing a standard spacing  
14 unit.

15          A           We're proposing a standard spacing unit  
16 and we are standard with respect to the east/west dimension  
17 but we are nonstandard with respect to the north/south  
18 dimension.

19          Q           In your opinion will approval of this lo-  
20 cation impair the correlative rights of any interest owners  
21 in the area?

22          A           No, we do not see how that could happen.  
23 The southeast quarter of Section 12 is one -- has one set of  
24 undivided mineral owners and therefore the same royalty  
25 owners in the Wright Well will be royalty owners in the



1 Wright No. 2 Well.

2 The requested location does not move  
3 closer to offset owners. It, in fact, moves away from the  
4 offset owners, so there is no disadvantage to any royalty  
5 owner on any adjacent tracts to the proposed location, and  
6 although I understand it was not required, we have notified  
7 all offset operators and have received no protest.

8 Q And are -- is your letter giving notifi-  
9 cation to those offsetting operators what has been marked as  
10 Nearburg Exhibit Number Two?

11 A Yes, sir.

12 Q And attached to that are copies of re-  
13 ceipts that have been received pursuant to that mailing?

14 A Yes, sir, that's correct.

15 Q In your opinion will approval of this ap-  
16 plication cause waste?

17 A No, sir, quite the contrary. It will al-  
18 low us to move to the best possible location to produce the  
19 reserve under this acreage and it will allow us to produce  
20 reserves that would not otherwise be produced.

21 Q Would you refer to Exhibit Number Three,  
22 identify that, and please review that for Mr. Stogner?

23 A Yes. Exhibit Number Three is a seismic  
24 structure map on the top of the Strawn Limestone, which was  
25 prepared under my supervision and direction by our geologi-

1 cal manager, Louis J. Mazzulo.

2 This exhibit shows outlined in yellow the  
3 proration unit for the Wright No. 1 Well, the -- what was  
4 the proration unit for the No. 1 Howenstein, and the prora-  
5 tion unit for the proposed Wright No. 2.

6 It also shows with a red dot and a red  
7 arrow the proposed location of the Wright No. 2.

8 Further indicated on this map are in  
9 dashed lines CDT seismic lines which were shot by Nearburg  
10 Producing Company to evaluate the productive potential of  
11 the Strawn in this area.

12 The -- as you can see, the combination of  
13 subsurface geological information gained from the three  
14 wells or two and a half wells, or however you want to call  
15 it, that we've already drilled, combined with the seismic,  
16 shows to have a relatively small feature here which basical-  
17 ly is fairly small in areal extent and the pay porosity is  
18 confined primarily to the crest of this structure, as is  
19 supported by the presence of tight rocks in both the Howen-  
20 stein original well and the sidetrack Howenstein well.

21 These are -- this Strawn production is  
22 primarily from small isolated patch reefs and as most anyone  
23 who drills in this area knows, their areal extent tends to  
24 be somewhat limited. We feel we have a feature here that's  
25 supportive of, at the present time, two proration units, and

1 we feel if we move any further to the south, based on our  
2 seismic evaluation, and sample work in the area, that we  
3 will not be able to drill a productive well.

4 Q Did you work with Mr. Mazzulo in the  
5 preparation of Exhibit Number Three?

6 A Yes.

7 Q And this interpretation is the basis for  
8 your requested unorthodox well location?

9 A Yes, it is. I would like to point out  
10 that structure, we are doing more with the seismic than  
11 merely trying to interpret structure, although structure --  
12 because structure in and of itself is not the sole  
13 determinant.

14 As you will see, when we did the  
15 sidetrack of the Howenstein Well we gained approximately 40  
16 feet of structure and still did not encounter productive  
17 facies.

18 The porosity development is co-equal in  
19 importance with structure in this situation.

20 Q Mr. Nearburg, is it your testimony that a  
21 well at a standard location on this proration unit would  
22 most likely not be a productive well?

23 A We feel very definitely that it -- well,  
24 we feel very strongly based on what we know now that it  
25 would not be productive.

1           Q           And so what you're doing is moving to a  
2 better structural position.

3           A           Hopefully better structural and -- and  
4 facies position, yes.

5           Q           It's also your testimony that structure  
6 in and of itself would not guarantee a commercial well.

7           A           No, it would not.

8           Q           Do you believe that a penalty should be  
9 imposed on this well due to its unorthodox location?

10          A           No, sir, we do not think it should due to  
11 the location of the well, the anticipated size of the  
12 reservoir, the nature of the royalty interest ownership, the  
13 lands operated by Nearburg, and the absence of any protest,  
14 we do not feel that a penalty is appropriate.

15          Q           And what are Nearburg's plans for  
16 development of the subject proration unit?

17          A           We have received approval from all the  
18 working interest owners to drill this well. We have signed  
19 a drilling contract to drill the well, and we had hoped to  
20 spud the well on or about -- well, before the end of July  
21 and so as soon as we receive approval, we will spud the  
22 well.

23          Q           Do you request that the order in this  
24 case be expedited to the extent it's possible to do so?

25          A           Yes, we would appreciate that.

1           Q           In your opinion will granting this  
2 application be in the best interest of conservation, the  
3 prevention of waste, and the protection of correlative  
4 rights?

5           A           Yes, we believe that.

6           Q           Were Exhibits One through Three prepared  
7 by you or compiled under your direction and supervision?

8           A           Yes, sir, they were.

9                       MR. CARR: At this time, Mr.  
10 Stogner, we would offer Nearburg Exhibits One through Three  
11 into evidence.

12                      MR. STOGNER: Exhibits One  
13 through Three will be admitted into evidence.

14                      MR. CARR: That --

15

16                      CROSS EXAMINATION

17 BY MR. STOGNER:

18           Q           Mr. Nearburg, on Exhibit Number Three,  
19 the Wright No. 1 Well --

20           A           Yes, sir.

21           Q           -- was that an unorthodox location also?

22           A           Yes, sir, it was, as was, I believe, the  
23 Howenstein, as well.

24           Q           Which came first, the Wright or --

25           A           The Wright was drilled first.

1 Q Okay.

2 A The Howenstein sidetrack, obviously never  
3 came for hearing, because it was nonproductive, but we were  
4 in contact with Vic Lyon and the NMOCD relative to, you  
5 know, what our proposed bottom hole location was there.

6 MR. STOGNER: I have nothing  
7 further of Mr. Nearburg.

8 Is there anything, any other  
9 questions of Mr. Nearburg?

10 MR. CARR: Nothing further.

11 MR. STOGNER: He may be ex-  
12 cused.

13 Mr. Carr, do you have anything  
14 further in this case today?

15 MR. CARR: Nothing further, Mr.  
16 Stogner.

17 MR. STOGNER: Then this case  
18 will be continued and readvertised for July 29th hearing.  
19 If there are no appearances at that time this case will be  
20 taken under advisement.

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22 (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. 972,  
heard by me on 15 July 1987.

Michael E. Hughes, Examiner  
Oil Conservation Division

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO

29 July 1987

EXAMINER HEARING

IN THE MATTER OF:

Application of Nearburg Producing                   CASE  
Company for an unorthodox oil well                   9172  
location, 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:                   Jeff Taylor  
Attorney at Law  
Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:



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MR. CATANACH: Call next Case

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9172.

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MR. TAYLOR: Application of

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Nearburg Producing Company for an unorthodox oil well

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location, Lea County, New Mexico.

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MR. CATANACH: This case was

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originally heard July 15th, 1987, and had to be readvertised

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for, I understand, a mistake in the advertisement.

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Are there any additional

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appearances at this time?

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If not, this case will be taken

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under advisement.

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(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. 9172,  
heard by me on 7/29/ 1987.

David R. Catanah, Examiner  
Oil Conservation Division