

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

11 May 1988

EXAMINER HEARING

IN THE MATTER OF:

Application of Nearburg Producing                      CASE  
Company to amend Division Order No.                      9376  
R-8605 and the assignment of an oil  
allowable retroactive to April 1,  
1988, 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:                      Charles E. Roybal  
Attorney at Law  
Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:

1  
2 MR. CATANACH: Call next Case  
3 9376.

4 MR. ROYBAL: Case 9376.  
5 Application of Nearburg Producing Company to amend Division  
6 Order No. R-8605, and the assignment of an oil allowable  
7 retroactive to April 1, 1988, Lea County, New Mexico.

8 MR. CATANACH: The applicant  
9 has requested that this case be continued to May 25th, 1988,  
10 and also I'd like to add that we will have to readvertise  
11 this case for the June 8th, 1988, hearing.

12  
13 (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 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. 9376,  
heard by me on May 11 1988.  
David R. Catanach, Examiner  
Oil Conservation Division

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

25 May 1988

EXAMINER HEARING

IN THE MATTER OF:

Application of Nearburg Producing                      CASE  
Company to amend Division Order No.                      9376  
R-8605 and the assignment of an oil  
allowable retroactive to April 1, 1988,  
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: Charles E. Roybal  
Attorney at Law  
Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:

1  
2 MR. STOGNER: Call next Case  
3 Number 9376.

4 MR. ROYBAL: Case 9376. Appli-  
5 cation of Nearburg Producing Company to amend Division Order  
6 NO. R-8605 and the assignment of an oil allowable retroac-  
7 tive to April 1, 1988, Lea County, New Mexico.

8 MR. STOGNER: At the request of  
9 the applicant Case 9376 will be continued to the Examiner  
10 hearing scheduled for June 8th, 1988.

11  
12 (Hearing concluded.)  
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heard by me on 25 May 1988.  
Michael E. Steiner, Examiner  
Oil Conservation Division

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EXAMINER HEARING

Application of Nearburg Producing Company to amend Division Order No. R-8605 and the assignment of an oil allowable retroactive to April 1, 1988, Lea County, New Mexico.

A P P E A R A N C E S

For the Applicant: William F. Carr  
Attorney at Law  
CAMPBELL and BLACK, P. A.  
P.O. Box 2208  
Santa Fe, New Mexico

## I N D E X

STATEMENT BY MR. CARR

3

MARK NEARBURG

Direct Examination by Mr. Carr

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Cross Examination by Mr. Catanach

10

LOUIS J. MAZZULLO

Direct Examination by Mr. Carr

11

Cross Examination by Mr. Catanach

16

## E X H I B I T S

Nearburg Exhibit One, Land Map

7

Nearburg Exhibit One-A, Order

7

Nearburg Exhibit Two, Notices and Return Rec.

8

Nearburg Exhibit Three, Structure Map

12

Nearburg Exhibit Four, Cross Section

14



1 MR. CATANACH: Call Case 9376,  
2 which is the application of Nearburg Producing Company to  
3 amend Division Order No. R-8605, and the assignment of an  
4 oil allowable retroactive to April 1st, 1988, Lea County,  
5 New Mexico.

6 Are there appearances in this  
7 case?

8 MR. CARR: May it please the  
9 Examiner, my name is William F. Carr, with the law firm  
10 Campbell & Black of Santa Fe. We represent Nearburg Pro-  
11 ducing Company and I have two witnesses.

12 MR. CATANACH: Any other ap-  
13 pearances?

14 Will the witnesses please  
15 stand to be sworn in?

16  
17 (Witnesses sworn.)  
18

19 MR. CARR: May it please the  
20 Examiner, Order R-8605, entered March 8th of this year ap-  
21 proved a nonstandard location for the Soledad 19M No. 1  
22 Well.

23 But since the order was enter-  
24 ed, the well has been completed and tested and we're now  
25 back asking to expand the spacing unit 100.81 acres.

1                   If it wasn't due to a survey variation,  
2 we would be seeking a standard 80-acre unit, but there is a  
3 survey variation, and so what we really have is an appli-  
4 cation for a unit comprised of the west half of the south-  
5 west quarter in Section 19, Township 16 South, Range 36  
6 East.

7                   The case has also been advertised for a  
8 retroactive oil allowable back to April 1. We do want to  
9 amend that at that time. We're only seeking the allowable  
10 to be effective from June 1 forward.

11                  And with that, I'd call our first wit-  
12 ness, Mark Nearburg.

13  
14                   MARK NEARBURG,  
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. CARR:

20                   Q           Will you state your full name and place  
21 of residence?

22                   A           I'm Mark Nearburg, Dallas, Texas.

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

25                   A           Nearburg Producing Company, Land Mana-

1 ger.

2 Q Have you previously testified before  
3 this Division and had your credentials accepted and made a  
4 matter of record?

5 A Yes.

6 Q Are you familiar with the application  
7 filed in this case concerning the Soledad 19M No. 1 Well?

8 A Yes.

9 Q Are you familiar with the surrounding  
10 acreage?

11 A Yes.

12 MR. CARR: Are Mr. Nearburg's  
13 qualifications acceptable?

14 MR. CATANACH: They are.

15 Q Mr. Nearburg, would you briefly state  
16 what you seek with the application?

17 A Nearburg seeks to amend Division Order  
18 R-8605 and the assignment of an oil allowable retroactive  
19 to June 1, 1988.

20 We seek to amend the order to include  
21 Lot 3 in the proration unit composing the west half south-  
22 west quarter of Section 19.

23 Q What is the location of the Soledad M  
24 Well No. 1

25 A 1000 feet from the west feet and 1000

1 feet from the south line.

2 Q And in what pool is it completed?

3 A Northeast Lovington Penn.

4 Q And the spacing for that pool is 80-acre  
5 spacing?

6 A Yes.

7 Q The well was drilled and completed in  
8 March of this year?

9 A Yes.

10 Q What is the well's current status?

11 A The well has been producing at the al-  
12 lowable for the Lot 4 unit assigned to it.

13 Q And what is the current allowable as-  
14 signed to the well?

15 A 6.67 barrels per acre.

16 Q And that results in an allowable of  
17 what, do you know?

18 A On an 80-acre unit -- well, on a 50-acre  
19 unit that would be approximately 350 barrels a day. We've  
20 been producing the well at about 325 barrels a day.

21 Q And what would be the affect on the al-  
22 lowable of the amendment that you're seeking here today?

23 A It would allow us to go to a more stand-  
24 ard proration unit and increase the allowable more in line  
25 with what the Commission would allow.

1 Q For an 80-acre unit.

2 A For an 80-acre unit, yes.

3 Q Would you refer to what has been marked  
4 as Nearburg Exhibit Number One, identify this, and explain  
5 what it shows?

6 A Well, this is a land map showing the  
7 proposed west half southwest quarter unit with the well  
8 indicated by the red dot.

9 Q What is the ownership of Lot 3, which  
10 you now seek to add to the proration unit?

11 A Cities Service Oil Company, or OXY USA  
12 --

13 Q And what is the --

14 A -- owns 100 percent of Lot 3.

15 Q And you have been in contact with Cities  
16 on this matter?

17 A Yes. We've reached agreement with  
18 Cities to include Lot 3 in the unit.

19 Q And will Cities, or OXY, share in pro-  
20 duction from this well from the date of first production?

21 A Yes, they will.

22 Q Would you now refer to what has been  
23 marked as your Exhibit One-A and identify that?

24 A That's the order that was entered March  
25 8th, 1988, approving the well location and nonstandard

1 50-acre proration unit.

2 Q Has notice been given to the other  
3 interest owners in this section as required by Oil Con-  
4 servation Division Rule 1207?

5 A Yes.

6 Q And all interest owners in the quarter  
7 quarter section that are potentially being excluded from  
8 the nonstandard unit have been notified.

9 A Yes.

10 Q Would you identify for Mr. Catanach  
11 Nearburg Exhibit Number Two?

12 A Exhibit Number Two are the notices that  
13 were mailed to offset owners for this hearing.

14 Q And attached to these letters are their  
15 return receipts?

16 A Yes.

17 Q You are requesting that the allowable to  
18 retroactive to June 1. How are you producing the well at  
19 this time?

20 A On June 1 we increased the well's pro-  
21 duction to approximately 425 barrels a day, pending an  
22 order on this case.

23 Q Will you be able to regulate the well's  
24 flow so as not to get it in an overproduced status vis-a-  
25 vis it's oil allowable?

1           A           Yes, we've been careful not to allow it  
2 to be overproduced.

3           Q           In your opinion will granting this ap-  
4 plication be in the interest of conservation, the preven-  
5 tion of waste and the protection of correlative rights?

6           A           Yes.

7           Q           Does Nearburg Producing Company request  
8 that this order be expedited?

9           A           Yes.

10          Q           Were Exhibits One, One-A, and Two  
11 prepared by you or compiled under your direction?

12          A           Yes.

13                           MR. CARR: At this time, Mr.

14  
15 Catanach, we would offer Nearburg Exhibits One, One-A, and  
16 Two.

17                           MR. CATANACH: Nearburg Exhi-  
18 bits One, One-A and Two will be admitted as evidence.

19          Q           Mr. Nearburg, will you also call a geo-  
20 logical witness to discuss the geology underlying the pro-  
21 posed nonstandard unit?

22          A           Yes.

23                           MR. CARR: That concludes my  
24 direct examination of Mr. Nearburg.

25

## CROSS EXAMINATION

BY MR. CATANACH:

Q Mr. Nearburg, are there other -- other producing -- Northeast Penn producing wells in this section?

A I'd defer that to the geologist. I believe there are but not in proximity to the well, to the Soledad Well.

Q Okay. Do you know of any other proration units that exist in Section 19?

A Lot 2 is a nonstandard proration unit operated by Getty. I believe that well is still producing. That's the southwest quarter northwest quarter.

Getty has a nonstandard 40-acre proration unit in the northeast quarter northwest quarter that is still producing.

I believe those are the only producing wells in this section and they both produced from the Strawn Pool.

Q Will your proposed proration unit have any adverse affect on the continued development in the section?

A No, it's our opinion it will enhance the development.



1 MR. CATANACH: That's all I  
2 have. The witness may be excused.

3 MR. CARR: At this time we'd  
4 call Mr. Mazzullo

5  
6 LOUIS J. MAZZULLO,  
7 being called as a witness and being duly sworn upon his  
8 oath, testified as follows, to-wit:

9  
10 DIRECT EXAMINATION

11 BY MR. CARR:

12 Q Will you state your full name for the  
13 record, please?

14 A My name is Louis Mazzullo.

15 Q Mr. Mazzullo, where do you reside?

16 A Midland, Texas.

17 Q By whom are you employed and in what  
18 capacity?

19 A I'm a petroleum geological consultant on  
20 retainer to Nearburg Producing Company.

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

24 A Yes.

25 Q Are you familiar with the application

1 filed in this case on behalf of Nearburg Producing Company?

2 A I am.

3 Q Are you familiar with the subject  
4 Soledad Well and the surrounding area?

5 A Yes.

6 MR. CARR: Are the witness'  
7 qualifications acceptable?

8 MR. CATANACH: They are.

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

12 A Exhibit Number Three is a geological  
13 structure map drawn at the top of the Strawn formation,  
14 which is the local producing formation of interest in the  
15 Soledad Well.

16 It shows 50 foot contours and it shows  
17 the location of the Soledad Well indicated by the yellow  
18 dot; the location -- the approximate outline of the 80+  
19 acre proration unit that's the subject of this hearing in  
20 yellow, and it also shows in solid black symbols all the  
21 Strawn wells that have or still are -- have been or still  
22 are productive.

23 Q Are those producing or have been produc-  
24 ing from the Northeast Pennsylvanian Pool?

25 A Yes, the Northeast Lovington Pool. The

1 wells that have the vertical -- the diagonal slashes  
2 through them have been plugged and abandoned from the  
3 Strawn.

4 Q What is shown by the stippled area or  
5 the shaded area?

6 A The stippled area indicates porosity;  
7 the presence of a porous reef facies in the Strawn carbon-  
8 ate. All the wells that you see that are productive from  
9 the Strawn pay from what appears to be a continuous poro-  
10 sity fairway that's indicated by the various stippled  
11 patterns on the map.

12 The map also shows that the No. 1  
13 Soledad is up-dip to the plugged producer in the northeast  
14 of the southwest quarter. That's the Monteith No. 2, which  
15 has -- which had produced 140 -- the Southwest Production  
16 No. 2 Monteith, excuse me, which produced 146,000 barrels  
17 of oil before being plugged in 1976.

18 The Soledad Well is also up-dip of a  
19 plugged producer in the northeast southeast of Section 24,  
20 which produced 4115 barrels of oil before it was plugged.

21 The No. 1 Soledad and the No. 2  
22 Monteith, which are both in the southwest quarter of Sec-  
23 tion 19, are close to the seaward edge of this patch reef,  
24 productive patch reef as in the Strawn; whereas the well in  
25 the northeast southeast of Section 24 is on the landward

1 edge of the productive patch reef in the Strawn.

2 By this interpretation I show the  
3 productive fairway to be optimally developed both west,  
4 southwest, and northwest of the No. 1 Soledad. By this  
5 interpretation, then, the No. 1 Soledad should be draining  
6 an area which includes the entire proration unit as we have  
7 it outlined on this map.

8 Q What information did you use in con-  
9 structing this interpretation?

10 A This interpretation was -- was drawn on  
11 the basis of detailed sample analysis and subsurface map-  
12 ping, using existing well logs and to a limited extent  
13 seismic information.

14 Q On this exhibit there is a trace marked  
15 A-A'. Is that for the cross section which is Exhibit Num-  
16 ber Four?

17 A Yes.

18 Q Would you go to that now and review that  
19 for Mr. Catanach?

20 A Exhibit Number Four is a west to east  
21 cross section, which includes the -- the well to the west,  
22 which is on the fore -- which is on the shoreward side of  
23 the patch reef that's productive in this area.

24 Proceeding eastward to the No. 1 Soledad  
25 and again eastward to the No. 2 Monteith, the latter two

1 wells which are productive from near the seaward margin of  
2 the same patch reef.

3                   The No. 1 Soledad and the No. 2 Mon-  
4 teith State both show thin interbeds of tight fore-reef  
5 carbonate, whereas the No. 1-C Monteith, which is on the  
6 left side of this cross section, which is shoreward of the  
7 patch reef, shows very thin bedded porous carbonate, inter-  
8 bedded with shallower marine-type limestones.

9                   The optimum development of the reef  
10 porosity, then, as I showed on this cross section, is  
11 somewhere between the No. 1 Soledad and the No. 1-C Mon-  
12 teith to the west.

13                   This shows that the reef is pinching out  
14 in a westward direction, shoreward, and also in an eastward  
15 direction, basinward.

16                   Structurally even though the reef core  
17 may be a few feet lower than in the No. 1 Soledad, the No.  
18 1 Soledad nevertheless in my opinion is communicating with  
19 the reef core to the west, southwest, and northwest of the  
20 No. 1 Soledad.

21                   Q           Mr. Mazzullo, is it your opinion that  
22 this well will effectively and efficiently drain the non-  
23 standard proration which Nearburg proposes to dedicate to  
24 it?

25                   A           Yes, based upon geologic evaluation it

1 will.

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

6 A Yes.

7 Q Were Exhibits Three and Four prepared by  
8 you?

9 A Yes, they were.

10 MR. CARR: At this time, Mr.  
11 Catanach, I would move the admission of Nearburg Exhibits  
12 Three and Four.

13 MR. CATANACH: Nearburg Exhi-  
14 bits Three and Four will be admitted into evidence.

15 MR. CARR: That concludes my  
16 direct examination of Mr. Mazzullo.

17

18 CROSS EXAMINATION

19 BY MR. CATANACH:

20 Q Mr. Mazzullo, in your opinion you -- you  
21 wouldn't need another well on that proration unit to drain  
22 that acreage.

23 A I don't think so, Mr. Catanach. The  
24 wells, as our engineer has suggested by his evaluation --  
25 Nearburg's engineer has suggested by his evaluation, drain

1 an area that's more than adequate to drain most of the  
2 north part of the proration unit as we have it drawn here.

3 The rocks are extremely porous. They're  
4 extremely permeable, and there is pressure communication.  
5 There is a drawdown of pressure that we can see from the  
6 original borehole pressure in the No. 1-C Monteith, or the  
7 No. 2 Monteith, rather, that we see when we ran RFT (sic)  
8 surveys in the No. 1 Soledad. There was several hundred  
9 pounds of drawdown, so there is no doubt communication  
10 over that large an interval.

11 Q Which well is that to the northeast of  
12 the Soledad?

13 A That's the No. 2 Monteith, the Southwest  
14 Production No. 2.

15 Q Operated by Southwest --

16 A Southwest Production. It's been plugged  
17 since 1976.

18 Q I see.

19 A And, again, we're draining an area to  
20 the north of the No. 1 Soledad. We're draining an area of  
21 the proration unit that is down-dip of the No. 1 Soledad,  
22 so we have the extra lift provided by being at least 50  
23 foot up-dip to the north part of the proration unit.

24 Q What is the Soledad capable of producing  
25 at this time?

1           A           It's producing -- it could produce 425  
2 barrels a day easily as it is right now but ultimately I  
3 don't know what it's capable of producing. I couldn't  
4 answer that.

5           Q           The well in Section 24, is that the  
6 Monteith No. 1?

7           A           That's the Monteith No. 1-C.

8           Q           1-C

9           A           And again Southwest Production.

10          Q           And how much oil did that well produce?

11          A           Oh, it made 4,115 barrels before it was  
12 plugged.

13          Q           And what about the Monteith No. 2, do  
14 you know how much that produced?

15          A           146,000 barrels.

16          Q           The well directly north in Lot 2, it  
17 looks like, is that -- that's currently plugged and  
18 abandoned?

19          A           Not -- no, that's one of the two wells  
20 that Mr. Nearburg indicated were still producing, I think.  
21 Is that a Getty well in Lot 2?

22                           MR. CATANACH: That's about  
23 all I have. The witness may be excused.

24                           Is there anything further in  
25 this case?



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MR. CARR: Nothing further.

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

(Hearing concluded.)

## C E R T I F I C A T E

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Oil Conservation Division