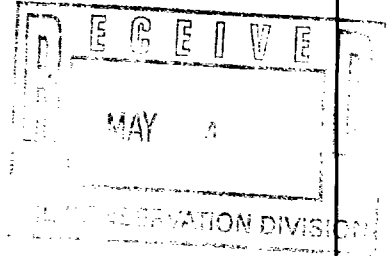


STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION



IN THE MATTER OF THE HEARING)
CALLED BY THE OIL CONSERVATION)
DIVISION FOR THE PURPOSE OF)
CONSIDERING:)
)
APPLICATION OF MARBOB ENERGY)
CORPORATION)
_____)

CASE NO. 11,239

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

April 6th, 1995

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on Thursday, April 6th, 1995, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, before Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

STEVEN T. BRENNER, CCR
(505) 989-9317

I N D E X

April 6th, 1995
 Examiner Hearing
 CASE NO. 11,239

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<u>MICHAEL G. HANAGAN</u>	
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* * *

E X H I B I T S

	Identified	Admitted
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Exhibit B	6	8
Exhibit C	7	8

* * *

A P P E A R A N C E S

FOR THE DIVISION:

RAND L. CARROLL
 Attorney at Law
 Legal Counsel to the Division
 State Land Office Building
 Santa Fe, New Mexico 87504

FOR THE APPLICANT:

CAMPBELL, CARR & BERGE, P.A.
 Suite 1 - 110 N. Guadalupe
 P.O. Box 2208
 Santa Fe, New Mexico 87504-2208
 By: WILLIAM F. CARR

* * *

1 WHEREUPON, the following proceedings were had at
2 10:17 a.m.:

3
4
5 EXAMINER CATANACH: At this time we'll call Case
6 11,239.

7 MR. CARROLL: Application of Marbob Energy
8 Corporation for an unorthodox oil well location, Chaves
9 County, New Mexico.

10 EXAMINER CATANACH: Are there appearances in this
11 case?

12 MR. CARR: May it please the Examiner, my name is
13 William F. Carr with the Santa Fe law firm Campbell, Carr
14 and Berge.

15 We represent Marbob Energy Corporation in this
16 matter, and I have one witness.

17 I would ask that the record reflect that the
18 witness is Mr. Mike Hanagan, that he testified in the
19 previous case, that his qualifications as an expert witness
20 in petroleum geology have been accepted and made a matter
21 of record and that he remains under oath.

22 EXAMINER CATANACH: The record shall so reflect.
23 Are there any additional appearances in this
24 case?

25 There being none, you may proceed, Mr. Carr.

1 MICHAEL G. HANAGAN,
2 the witness herein, after having been first duly sworn upon
3 his oath, was examined and testified as follows:

4 DIRECT EXAMINATION

5 BY MR. CARR:

6 Q. Mr. Hanagan, are you familiar with the
7 Application filed in this case on behalf of Marbob Energy?

8 A. Yes, I am.

9 Q. And have you made a geological study of the area
10 surrounding the proposed Havasu well in the Devonian
11 formation?

12 A. Yes, sir, I have.

13 Q. Would you briefly review for Mr. Catanach what
14 Marbob seeks with this location?

15 A. We seek an unorthodox location based on geologic
16 considerations.

17 Q. And this is for the Havasu Federal Well Number 1?

18 A. Yes, sir, it is.

19 Q. And what is the proposed location for that well?

20 A. 2588 feet from the south line and 2309 feet from
21 the east line of Section 11, Township 13 South, Range 27
22 East.

23 Q. And what acreage does Marbob propose to initially
24 dedicate to the well?

25 A. The northwest quarter of the southeast quarter of

1 that section.

2 Q. And this is a wildcat well in the Devonian
3 formation?

4 A. Yes, sir, t is.

5 Q. So under statewide rules, the normal setback
6 would be a 330-foot setback?

7 A. Yes, sir.

8 Q. Have you prepared exhibits for presentation here
9 today?

10 A. Yes, sir.

11 Q. Let's go to what has been marked Marbob
12 Exhibit A. I'd ask you to identify and review that,
13 please.

14 A. Okay, Exhibit A is a leasehold map showing the
15 outline of the standard proration unit attributable to this
16 well, as well as the location. The location is orthodox to
17 any sectional or lease boundaries, but is unorthodox to the
18 quarter-quarter boundary and to the proration unit
19 boundary.

20 This exhibit also shows lease ownership. Marbob
21 owns all acreage within the area of this. The white lease
22 or yellowish lease, that is a federal lease, NM92161. The
23 adjoining blue lease is a fee lease owned by Calumet Ranch
24 Company. Like I said, both of those are owned by Marbob.

25 Q. Marbob has all operating rights in the entire

1 section?

2 A. Yes, sir.

3 Q. The only difference is in the royalty?

4 A. Yes, sir, and they both have the same royalty,
5 just different owners.

6 Q. Let's go to Marbob Exhibit B. Will you identify
7 that, please?

8 A. This is a structural contour map on the top of
9 the Devonian pay zone, which is our primary objective in
10 this well, and this is also based on 3-D seismic
11 information.

12 The primary features, it's a fault-bounded
13 structure. There's a fault on both the east and west side,
14 having around 100 to 150 foot of throw on that fault, and
15 then a larger fault bounding it on the south side with
16 around 200 feet of throw.

17 Q. Here again, we're looking at a small Devonian
18 feature; is that right?

19 A. Yes, sir.

20 Q. And as in the last case, again we're dealing with
21 bottom water drive?

22 A. Very strong bottom water drive.

23 Q. This proposed location will, in fact, enable you
24 to maximize your structural position, and therefore most
25 effectively drain this feature; is that not the objective?

1 A. Yes, sir, we feel one well can effectively drain
2 this structure.

3 Q. When I look at this, Mr. Hanagan, will that well
4 drain the 40 acres dedicated to it?

5 A. Yes, sir, it's been our experience in looking at
6 the Devonian in Chaves County that that one well will drain
7 much more than the 40 acres that it's located on.

8 Q. Is it possible that this well in fact is going to
9 drain the entire feature in the offsetting 40-acre tracts?

10 A. That's our opinion at this time.

11 Q. And how do you propose that be handled?

12 A. Should this well be a successful -- completed as
13 a successful producer and appear similar to the nearby Long
14 Arroyo Siluro-Devonian field, which is located two miles to
15 the east, we would anticipate going immediately -- applying
16 immediately for 160 -- special pool rules with 160-acre
17 proration units, and probably nonstandard.

18 Q. So if you get the well, then, you'll immediately
19 attempt to change the pool rules so that they coincide with
20 the way the reservoir is performing?

21 A. Yes, sir.

22 Q. Is Exhibit C an affidavit confirming that notice
23 of this Application has been provided in accordance with
24 OCD rules?

25 A. Yes, it is.

1 Q. In fact, the parties to whom you've given notice
2 of this matter are the royalty owners, the Calumet Ranch,
3 and the Bureau of Land Management?

4 A. Yes, sir, they are.

5 Q. In your opinion, will approval of this
6 Application and the drilling of this well result in the
7 recovery of hydrocarbons that otherwise would be wasted?

8 A. Yes, sir.

9 Q. Is approval of the Application otherwise in the
10 best interest of conservation and the protection of
11 correlative rights?

12 A. Yes, it is.

13 Q. Were Exhibits A through C prepared by you or
14 compiled under your direction?

15 A. Yes, they were.

16 MR. CARR: At this time, Mr. Catanach, we move
17 admission of Marbob Exhibits A through C.

18 EXAMINER CATANACH: Exhibits A through C will be
19 admitted as evidence.

20 MR. CARR: And that concludes my examination of
21 Mr. Hanagan.

22 EXAMINATION

23 BY EXAMINER CATANACH:

24 Q. Mr. Hanagan, just out of curiosity, assuming that
25 you do make a well and come in for 160-acre spacing, what

1 do you think you had want to dedicate to that well?

2 A. It would be the 160 acres in the middle of the
3 section there, which would be the -- let's see, that would
4 be the southeast of the northwest, the northeast of the
5 southwest, the northwest of the southeast, and the
6 southwest of the northeast.

7 Q. Okay. At your proposed location, as opposed to a
8 standard location, how much structure do you think you're
9 gaining?

10 A. At the nearest -- At the nearest legal location,
11 we believe we're gaining in excess of 20 feet.

12 As Devonian oil columns in Chaves County are
13 sometimes as small as 30 feet, 30 to 50 feet is the most
14 common productive range, so 20 feet can be a significant
15 amount.

16 Q. What's the closest Devonian well to this?

17 A. It's the Long Arroyo, it's the Number 1 Charlie
18 State, also operated by Marbob, located almost exactly two
19 miles east from here in the Long Arroyo Siluro-Devonian
20 field, which we have also tied within this seismic survey.

21 Q. Do you believe that this one well will drain this
22 entire Devonian structure?

23 A. Yes, sir, based on how the Charlie State has
24 performed over in the Long Arroyo Siluro-Devonian field,
25 we've tied this feature with that feature on seismic.

1 That's also around a 160- to 180-acre feature.
2 It's all within one spacing block, so -- I mean, within one
3 lease -- so we never applied for any special proration
4 boundaries on that feature.

5 But we take a bottomhole pressure test every
6 50,000 barrels or six months, and so far we've experienced
7 no pressure drop. And recovery has been 100-percent oil so
8 far, no water, and it appears to be effectively draining
9 that structure, which appears very similar to this
10 structure.

11 EXAMINER CATANACH: That's all I have, Mr. Carr.

12 MR. CARR: That concludes our presentation in
13 this matter, Mr. Catanach.

14 EXAMINER CATANACH: All right, there being
15 nothing further in this case, 11,239 will be taken under
16 advisement.

17 (Thereupon, these proceedings were concluded at
18 10:25 a.m.)

19 * * *

20
21 I do hereby certify that the foregoing is
22 a complete record of the proceedings in
23 the Examiner's hearing of Case No. 11239,
24 heard by me on April 6, 1995.
25 David L. Catanach, Examiner
 Oil Conservation Division

CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
 COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL April 15th, 1995.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 1998