

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:) CASE NO. 10738

APPLICATION OF MARBOB ENERGY CORPORATION

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: David R. Catanach, Hearing Examiner

June 17, 1993

Santa Fe, New Mexico

This matter came on for hearing before the
Oil Conservation Division on June 17, 1993, at the Oil
Conservation Division Conference Room, State Land
Office Building, 310 Old Santa Fe Trail, Santa Fe, New
Mexico, before Deborah O'Bine, RPR, Certified Court
Reporter No. 63, for the State of New Mexico.



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SANTA FE, NEW MEXICO 87504-9262
(505) 984-2244

I N D E X

June 17, 1993
Examiner Hearing
CASE NO. 10738

PAGE

APPEARANCES

3

GRAYBURG WITNESS:

JOHNNY GRAY

Examination by Mr. Carr

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Examination by Examiner Catanach

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REPORTER'S CERTIFICATE

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E X H I B I T S

ID ADMTD

Exhibit A

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Exhibit B

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Exhibit C

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A P P E A R A N C E S

FOR THE DIVISION: ROBERT G. STOVALL, ESQ.
General Counsel
Oil Conservation Commission
State Land Office Building
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

FOR THE APPLICANT: CAMPBELL, CARR, BERGE &
SHERIDAN, P.A.
P.O. Box 2208
Santa Fe, New Mexico 87504
BY: WILLIAM F. CARR, ESQ.

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1 EXAMINER CATANACH: At this time we'll call
2 Case 10738.

3 MR. STOVALL: Application of Marbob Energy
4 Corporation for an unorthodox oil well location, Eddy
5 County, New Mexico.

6 EXAMINER CATANACH: Are there appearances
7 in this case?

8 MR. CARR: May it please the Examiner, my
9 name is William F. Carr with the Santa Fe Law Firm,
10 Campbell, Carr, Berge & Sheridan. I represent Marbob
11 Energy Corporation, and I have one witness.

12 EXAMINER CATANACH: Any other appearances?
13 (Witness sworn.)

14 MR. STOVALL: I've got one question for you
15 before you start. How'd you manage to get these
16 things without somebody fighting you when all the
17 other unorthodoxes are such a battle?

18 THE WITNESS: Well, I'm just a good old
19 boy.

20 MR. STOVALL: Is that what it is? Okay. I
21 kind of thought that was why.

22 JOHN R. GRAY,
23 the witness herein, after having been first duly sworn
24 upon his oath, was examined and testified as follows:

25 EXAMINATION

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1 BY MR. CARR:

2 Q. Would you state your name for the record,
3 please.

4 A. John R. Gray.

5 Q. Where do you reside?

6 A. Artesia, New Mexico.

7 Q. By whom are you employed?

8 A. Marbob Energy Corporation.

9 Q. And in what capacity?

10 A. I'm the president of the corporation.

11 Q. Have you previously testified before this
12 Division?

13 A. I have.

14 Q. At the time of that prior testimony, were
15 you qualified as a practical oil man?

16 A. Absolutely.

17 Q. Are you familiar with the application filed
18 on behalf of Marbob Energy in this case?

19 A. I am.

20 Q. And are you familiar with the circumstances
21 surrounding your proposed Keely A Federal Well No. 30?

22 A. I am.

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

25 EXAMINER CATANACH: They are.

1 Q. (BY MR. CARR) Mr. Gray, would you briefly
2 state what Marbob seeks in this case?

3 A. Well, we're seeking to build an unorthodox
4 location there due to the fact that we have some other
5 wells there, and we're more or less five-spotting with
6 this well here.

7 Q. We're talking about your Keely A Federal
8 Well No. 30?

9 A. Right.

10 Q. You're proposing to drill the well 25 feet
11 from the south line and 2615 feet from the west line
12 of Section 13?

13 A. Yes.

14 Q. Township 17 South, Range 29 East?

15 A. Um-hm.

16 Q. To what formation do you propose to drill?

17 A. To the Grayburg, San Andres.

18 Q. What pool is our primary objective?

19 A. The Grayburg, San Andres.

20 Q. Is this in the Grayburg Jackson Seven
21 Rivers, Queen, Grayburg, San Andres Pool?

22 A. Yes.

23 Q. Could you explain to Mr. Catanach why
24 Marbob is proposing to drill this well?

25 A. Well, it's a new infill well, and as you

1 know, we're trying to get a unit together there and
2 stuff, and this is one of the wells that we just
3 proposed to get drilled, see if we can get some
4 information there to help you all along in getting
5 this thing unitized where we can get administrative
6 approval on these unorthodox locations because the
7 entire field is going to be that way.

8 Q. This is going to actually result in the
9 five-spot well pattern?

10 A. Yeah, probably over 25 to 30 wells.

11 Q. We're going to basically a 40-acre density
12 pattern; is that correct? Could you refer to what has
13 been marked as Marbob Exhibit A and just identify that
14 for Mr. Catanach?

15 A. That's our application that we filed with
16 the state in this location.

17 Q. This well location is actually 25 feet out
18 of the southeast corner of the acreage you're
19 dedicating to it; is that correct?

20 A. That's right.

21 Q. Let's go to Exhibit B and identify and
22 review that for Mr. Catanach.

23 A. Exhibit B is a map of the area, the
24 location. Inside circle 40 there is where we're
25 proposing to drill a well right off the line. It's

1 bordered by our own acreage all the way around with
2 the same mineral rights, same overrides.

3 Q. This is all federal land?

4 A. All federal land.

5 Q. You're in fact no closer than 330 feet from
6 the outer boundary of your lease; is that correct?

7 A. No.

8 Q. And no farther than 10 feet from any
9 quarter quarter section line.

10 A. That's right.

11 Q. In your opinion, is this well necessary to
12 obtain information that will enable you to effectively
13 produce this portion of the Grayburg, San Andres
14 formation?

15 A. I do believe it is.

16 Q. And you've indicated that the ownership is
17 identical in the tract that you're dedicating to the
18 well and in all offsetting 40's?

19 A. Yes.

20 Q. And it's the same lease? All those tracts
21 are operated by Marbob?

22 A. All of them are operated by Marbob.

23 Q. Has notice of this application been
24 provided to the Bureau of Land Management?

25 A. It has.

1 Q. Is a copy of your letter to the BLM what
2 has been marked Exhibit C?

3 A. Yes.

4 Q. In your opinion, will approval of this
5 application enable Marbob to obtain data that will
6 enable it to effectively and efficiently produce
7 reserves in this portion of the field?

8 A. It will.

9 Q. Will correlative rights be protected if
10 this application is granted?

11 A. Yes.

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

14 A. Under my direction.

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

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

19 MR. CARR: And that concludes my Direct
20 Examination of Mr. Gray

21 EXAMINATION

22 BY EXAMINER CATANACH:

23 Q. Mr. Gray, is this acreage within a
24 waterflood project?

25 A. Yes, it is.

1 Q. Isn't that designated the Keely A
2 waterflood project?

3 A. Well, it may be under the Keely A or the
4 Keely C in this particular -- it is under waterflood,
5 yes.

6 Q. In the Grayburg Jackson Pool?

7 A. Right.

8 Q. And your future plans are to try and
9 unitize this acreage?

10 A. Yes, it is.

11 Q. For the purpose of waterflooding in the
12 Grayburg Jackson?

13 A. More waterflooding in the Grayburg, a
14 better pattern on it, and better drainage.

15 Q. So the reason you're drilling at this
16 location is to establish a good pattern?

17 A. A good pattern.

18 Q. Are there other producing wells in that 40
19 acres producing from the Grayburg Jackson?

20 A. Yes, there are.

21 Q. How many other wells are there?

22 A. Well, there's just about every one of them
23 you see on the map there.

24 Q. So one additional well then, No. 20 it
25 looks like, in that 40 acres?

1 A. Right.

2 Q. Within that area outlined on Exhibit B,
3 within that orange-outlined area, are there injection
4 wells in that area?

5 A. No, I don't think there is in this, right
6 on this block right here.

7 Q. There's additional acreage in the Keely A
8 or Keely C lease adjacent to this that's being
9 waterflooded?

10 A. Yes.

11 Q. Has this portion of the reservoir been
12 waterflooded prior?

13 A. No, I don't believe it has. I don't think
14 -- well, I've got this blocked out here, but I don't
15 think -- that's the other reason we're coming across
16 here. We want to get some good background here for a
17 better pattern across here. We propose to drill about
18 25 wells scattered across to this area here. Part of
19 them will be in Jackson wells. Most of them will be
20 producers. A lot of these old wells will go into
21 injection.

22 Q. This particular well is going to be a
23 producing well?

24 A. Yes, it will be a producing well, I hope.

25 Q. How do the prospects of unitization look at

1 this point?

2 A. Well, they're over at the BLM office, and
3 you know they've had a change down there; so I don't
4 know, but when we talked to them the other day, it was
5 looking pretty good.

6 Q. Do you have a timetable on when you propose
7 to unitize it?

8 A. As soon as they can get it done and then
9 y'all get it done. They get it done, and then y'all
10 get it done, and then you can get rid of me on these
11 other unorthodox locations.

12 Q. Are you going to test other zones in this
13 wellbore?

14 A. Yes, I am. I'm going to actually test the
15 Glorieta for a few days there, just trying to get
16 y'all some information there that I'm looking at for
17 later on, trying to get the Glorieta also entered into
18 the unit, but it will be completed in the Grayburg,
19 San Andres.

20 Q. It won't be a dual completion?

21 A. No.

22 Q. You're just going to test Glorieta; you're
23 not going to produce it?

24 A. No. It's a short enough period of time to
25 get the information y'all are seeking and the BLM is

1 seeking.

2 EXAMINER CATANACH: That's all I have. The
3 witness may be excused.

4 MR. CARR: We have nothing further.

5 EXAMINER CATANACH: There being nothing
6 further, Case 10738 will be taken under advisement.

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CERTIFICATE OF REPORTER

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

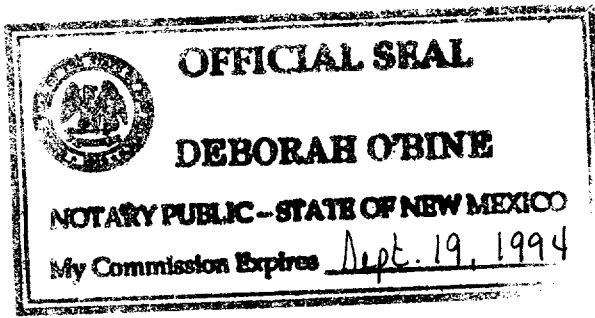
I, Deborah O'Bine, Certified Shorthand Reporter and Notary Public, HEREBY CERTIFY that I caused my notes to be transcribed under my personal supervision, and that the foregoing transcript is a true and accurate record of the proceedings of said hearing.

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, June 29, 1993.

Deborah O'Bine

DEBORAH O'BINE
CCR No. 63



I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 10738, heard by me on June 17, 1993.
David L. Caballero, Examiner
Oil Conservation Division