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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. 10739

APPLICATION OF MARBOB ENERGY CORPORATION

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

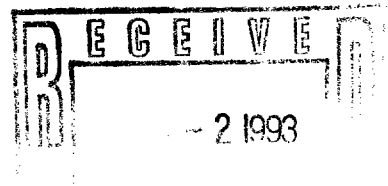
BEFORE: David R. Catanach, Hearing Examiner

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.

ORIGINAL



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I N D E X

June 17, 1993
 Examiner Hearing
 CASE NO. 1-830

	PAGE
APPEARANCES	2
MARBOB'S WITNESS:	
<u>JOHN R. GRAY</u>	
Examination by Mr. Carr	3
Examination by Examiner Catanach	9
REPORTER'S CERTIFICATE	12

E X H I B I T S

	ID	ADMTD
Exhibit A	5	8
Exhibit B	5	8
Exhibit C	7	8

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 10739.

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 of
10 Campbell, Carr, Berge & Sheridan. I represent Marbob
11 Energy Corporation. I would request that the record
12 reflect that my witness, John Gray, has been sworn,
13 that his credentials as a practical oil man have been
14 accepted and made a matter of record, and that he is
15 qualified to testify in this matter.

16 EXAMINER CATANACH: The record shall so
17 reflect.

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

21 EXAMINATION

22 BY MR. CARR:

23 Q. Mr. Gray, are you familiar with the
24 application filed in this case on behalf of Marbob
25 Energy Corporation?

1 A. I am.

2 Q. And are you familiar with the proposed
3 Burch C. Federal Well No. 49?

4 A. I am.

5 Q. Could you explain to Mr. Catanach what
6 Marbob seeks with this application?

7 A. Well, first off, the reason that this well
8 fell unorthodox, if you'll notice there on your map
9 there in a minute, why, your highway runs right
10 through it. And we're doing the same thing with this
11 well that we were doing with the one just prior in the
12 other case is trying to get a pattern across here, get
13 the information we need for the unitization and our
14 pattern across there and our waterflood.

15 Q. Mr. Gray, in this case are you also
16 proposing to drill to the Grayburg and San Andres
17 formations?

18 A. Yes.

19 Q. And the location, as you've indicated, is
20 due to topographical conditions?

21 A. Right.

22 Q. Again, you're trying to basically develop
23 on a 40-acre, five-spot pattern to acquire data for
24 future waterflooding?

25 A. Yes.

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1 Q. Could you identify what has been marked as
2 Marbob Exhibit A?

3 A. Exhibit A is our application for the plat
4 of the location that was filed with the Energy and
5 Minerals Management and the Oil Conservation
6 Commission.

7 Q. It shows that the proposed well is 2510
8 feet from the north line and 330 feet from the west
9 line?

10 A. Yes.

11 Q. The 40 acres to be dedicated to that well
12 would be the southwest of the northwest of Section 23;
13 correct?

14 A. Right.

15 Q. Let's go to Exhibit B, and I'd ask you to
16 review for Mr. Catanach the status of the acreage
17 offsetting the 40 acres which is the subject of this
18 hearing?

19 A. Okay. The 40 acres is outlined there where
20 the location falls. You'll note the highway coming
21 through there. The location actually fell right up
22 against highway right-of-way where we couldn't make
23 it. So we had to move the well in that direction.

24 Q. So to avoid the highway, you've actually
25 moved the well toward the south, have you not?

1 A. Right, moved to the south.

2 Q. The lease to the west of the 40, the three
3 40-acre tracts offsetting to the west, what is the
4 status of the ownership in that tract?

5 A. Marbob owns all the shallow rights there.
6 H.L. Brown owns the deep rights.

7 Q. You're still 330 from that tract?

8 A. But we are 330 off of that line.

9 Q. Now, if we go to the acreage south of the
10 40 acres to be dedicated to this well, what is the
11 ownership under that tract?

12 A. On the Burch BB, it's an 87-1/2 percent
13 federal lease. We own the 87-1/2.

14 Q. Do you also own the acreage to the east and
15 the north?

16 A. Right. And where we're actually drilling
17 has a 5 percent override on it.

18 Q. Are there any overrides on the property
19 where you're moving the well?

20 A. No.

21 Q. You've got a standard federal royalty under
22 all the tracts?

23 A. Right.

24 Q. So basically what you're doing is
25 encroaching only on the tract to the south which is

1 operated by you?

2 A. Right.

3 Q. You're drilling on the tract that has
4 overriding royalty burdens on it?

5 A. Right.

6 Q. But there are none on the tract to the
7 south?

8 A. That's right.

9 Q. And you're 130 feet from the boundary of
10 that 40 acres as you move to the south?

11 A. Um-hm.

12 Q. Has notice of this application been
13 provided to the BLM?

14 A. It has.

15 Q. And attached to or included in your exhibit
16 package as Exhibit No. C are letters. Could you
17 identify and review those for Mr. Catanach?

18 A. That was letters we filed with the BLM and
19 with H.L. Brown in which we have approval of
20 nonobjection from both parties.

21 Q. The second page of this is actually a
22 waiver from H.L. Brown; is it not?

23 A. Yes.

24 Q. And the final page shows a return receipt
25 confirming that in fact the notice has been provided

1 to the BLM?

2 A. Right.

3 Q. How soon would you like to go forward with
4 your plans to drill these wells?

5 A. Whenever Mr. Catanach turns me loose and
6 then when he gets through with me, why, when the BLM
7 turns me loose.

8 Q. As soon as they do that, are you ready?

9 A. As soon as possible, yes, we are ready to
10 drill.

11 Q. In your opinion, will approval of this
12 application and the drilling of this well result in
13 the recovery of reserves that otherwise will not be
14 recovered in this field?

15 A. It will.

16 Q. Will correlative rights be protected if the
17 application is granted?

18 A. They will.

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

21 A. Under my direction.

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

24 EXAMINER CATANACH: Exhibits A through C
25 will be admitted as evidence.

1 MR. CARR: That concludes my examination of
2 Mr. Gray.

3 EXAMINATION

4 BY EXAMINER CATANACH:

5 Q. Mr. Gray, on your Exhibit B, the green
6 outlined acreage, you said Marbob owns the shallow
7 rights, H.L. Brown owns the deep rights?

8 A. Yes.

9 Q. Where is the cutoff on that?

10 A. 4,000 foot. I don't know where that 2,500
11 come in there but --

12 Q. And the pools that we're talking about, the
13 Grayburg Jackson and the Glorieta are shallower than
14 4,000?

15 A. The San Andres and the Grayburg is. The
16 Glorieta is going to be just knocking on its door.

17 Q. But it's still going to be within the
18 shallow, what's considered the shallow?

19 A. Right.

20 Q. Is the Burch acreage currently under
21 waterflood operations?

22 A. Yes, it is. In fact, I think -- yeah, I
23 think you'll see an injection well here. Offsetting
24 the Burch, the BB 33, there is an injection well.

25 Q. Is this a separate area from the Keely that

1 you're going to propose to unitize?

2 A. Well, we propose to unitize the entire
3 eight sections.

4 Q. Which includes this acreage?

5 A. Which includes this acreage, the Burch B,
6 the Burch BB, the Burch C, the Keely C, and the Keely
7 A, and the Keely B. But there's eight sections there
8 is what we're working off of, and we -- well, what
9 we're trying to do is unitize the entire eight
10 sections. And that's the reason I scattered these two
11 wells out as to where I'm drilling them, to try to
12 create some information there for y'all. As you know,
13 it's obvious about this unitization on this thing, a
14 little bit.

15 Q. The primary reason for this unorthodox
16 location is topographic because of the highway; is
17 that correct?

18 A. Well, that's a portion of it.

19 Q. That's a portion?

20 A. Yeah.

21 Q. It's also --

22 A. It's also --

23 Q. -- to complete your pattern?

24 A. Right.

25 Q. Is the Glorieta going to be tested in this

1 well?

2 A. Yes, it is.

3 Q. But not produced, just tested?

4 A. Um-hm.

5 Q. Mr. Carr was asking you something about
6 there was an override on the acreage that you're
7 drilling on?

8 A. Yes. There's a 5 percent override on the
9 acreage we're actually drilling on.

10 Q. And the acreage to the south doesn't have
11 that burden?

12 A. No. But we'll be crowding our own acreage
13 that don't have any burden on it.

14 EXAMINER CATANACH: I believe that's all I
15 have of the witness. He may be excused.

16 MR. CARR: We have nothing further in this
17 case, Mr. Catanach.

18 EXAMINER CATANACH: There appearing to be
19 nothing further in this case, Case 10739 will be taken
20 under advisement.

21 MR. CARR: Thank you, Mr. Graves.

22 THE WITNESS: Thank you. Gentlemen, it
23 sounds like you all have got a fine day up in front of
24 you. I'll get out of your hair and let you get
25 started.

CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)

) ss.

COUNTY OF SANTA FE)

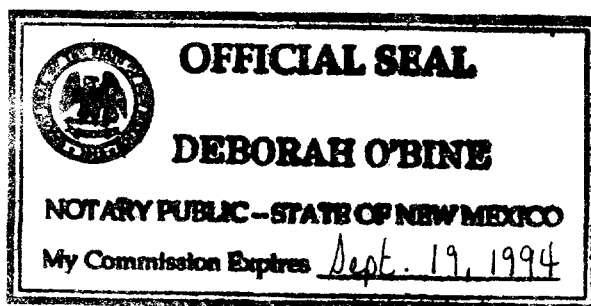
I, Deborah O'Bine, Certified Shorthand Reporter and Notary Public, HEREBY CERTIFY that I caused my notes to be transcribed under my personal supervision, and that the foregoing transcript is a true and accurate record of the proceedings of said hearing.

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. 10739, heard by me on June 17, 1993.
David L. Catant, Examiner
Oil Conservation Division

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