

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. 13,109  
APPLICATION OF MARBOB ENERGY CORPORATION )  
FOR AN WELL LOCATION, EDDY COUNTY, )  
NEW MEXICO )  
 )

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

RECEIVED

AUG . 7 2003

July 24th, 2003

Oil Conservation Division

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, July 24th, 2003, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

\* \* \*

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July 24th, 2003  
Examiner Hearing  
CASE NO. 13,109

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\* \* \*

## A P P E A R A N C E S

## FOR THE APPLICANT:

HOLLAND & HART, L.L.P., and CAMPBELL & CARR  
 110 N. Guadalupe, Suite 1  
 P.O. Box 2208  
 Santa Fe, New Mexico 87504-2208  
 By: MICHAEL H. FELDEWERT

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2 11:20 a.m.:

3  
4           EXAMINER STOGNER: This hearing will come to  
5 order. At this time I'll call Case Number 13,109. This is  
6 the Application of Marbob Energy Corporation for an well  
7 location, Eddy County, New Mexico.

8           Call for appearances.

9           MR. FELDEWERT: May it please the Examiner, my  
10 name is Michael Feldewert with the Santa Fe office of the  
11 law firm of Holland and Hart, appearing on behalf of the  
12 Applicant in this case, Marbob Energy Corporation.

13           EXAMINER STOGNER: Any other appearances? Any  
14 other appearances? No? Okay.

15           MR. HALL: Would you rather I not sit here?

16           EXAMINER STOGNER: No, that's okay, you just  
17 threw me for a loop. You can sit there.

18           Have you got any witnesses?

19           MR. FELDEWERT: We have two witnesses, Mr.  
20 Examiner.

21           EXAMINER STOGNER: Two witnesses. Will they  
22 please stand to be sworn?

23           (Thereupon, the witnesses were sworn.)

24           MR. FELDEWERT: Mr. Examiner, we then call our  
25 first witness.

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RAYE P. MILLER,

the witness herein, after having been first duly sworn upon his oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. FELDEWERT:

Q. Could you please state your name for the record and where you reside?

A. My name is Raye Paul Miller, I reside in Artesia, New Mexico.

Q. And by whom are you employed and in what capacity?

A. I'm employed by Marbob Energy Corporation, I'm a corporate officer. A lot of folks wonder what I do.

Q. You have previously testified before the Division; is that right?

A. That is correct.

Q. And had your credentials accepted and made a matter of record?

A. Yes.

Q. Are you familiar with the Application that's been filed by Marbob in this case?

A. Yes, I am.

Q. And are you familiar with the status of the lands in the subject area?

A. Yes, sir, I am.

1 MR. FELDEWERT: Mr. Examiner, are the witness's  
2 qualifications acceptable?

3 EXAMINER STOGNER: They are.

4 Q. (By Mr. Feldewert) Would you briefly state what  
5 Marbob seeks with this Application?

6 A. We seek an exception to Division Rule 104.B.(1)  
7 to authorize the drilling of our proposed Zarafa "FF"  
8 Federal Well Number 2, to be drilled at 1650 from the south  
9 line and 2550 from the west line in Section 12, Township 21  
10 South, Range 24 East, Eddy County, New Mexico. The west  
11 half of Section 12 would be dedicated to the well in the  
12 Morrow formation.

13 Q. Is Marbob Exhibit Number 1 a land map that shows  
14 your proposed spacing unit and well location?

15 A. Yes, the map, nice colored map there, shows the  
16 -- in yellow, the proposed spacing unit. The red dot is  
17 the proposed well location. It shows the ownership in the  
18 area. Marbob is the operator of the entire section.

19 The east half of that section is a spacing unit  
20 dedicated to the Marbob Zarafa Federal Number 1, and it's  
21 completed in the Morrow formation. You can see the little  
22 dot there, next to that number 2. And Como Petroleum is a  
23 working interest owner with us in this project, and they're  
24 the only other working interest owner. It is one federal  
25 lease. The royalty interest, the overriding royalty

1 interest, and the working interest are all identical in  
2 that section.

3 Q. Do you know what pool is involved at this  
4 proposed well location?

5 A. Yeah, it's a Morrow formation in the Undesignated  
6 Southeast Cemetery-Morrow Gas Pool.

7 Q. Okay, and your proposed location is only 330 off  
8 the line; is that correct?

9 A. That's correct, it is unorthodox.

10 Q. Why don't you review briefly the history of your  
11 proposed well location?

12 A. The well was originally proposed at a standard  
13 location 1980 from the north and 1980 from the west. Dean  
14 Chumbley in my office went out with Barry Hunt from the  
15 BLM. We staked the location at that location, went out,  
16 did an onsite inspection with the BLM.

17 The BLM did not like the location that we had  
18 chosen for topographic reasons, and they looked at other  
19 locations in that area and came up with only a couple of  
20 locations that seemed to have flatter terrain or more  
21 accessible terrain. One was in the northwest northwest of  
22 the section, and the other was the location that we are  
23 seeking.

24 Q. Did you file an administrative application for  
25 approval of your location?

1           A.    Yes, we filed an administrative application,  
2           which is Exhibit Number 2, and Exhibit Number 3 is the  
3           denial of that application.

4           Q.    Okay. Now, have you determined whether there are  
5           other potential well sites in this particular area?

6           A.    Obviously, there is the opportunity to drill at a  
7           location in the northwest northwest -- I think the  
8           geologist will later on discuss that -- and it's a thing  
9           where the other option is to directionally drill from an  
10          unorthodox location.

11          Q.    Okay. Can you turn to Marbob Exhibit Number 4  
12          and give us some understanding of the topography of this  
13          particular area?

14          A.    Yeah, this is just a map that, you know, the  
15          lines represent slope. The closer the lines are together,  
16          obviously, the steeper the terrain is. You can see the  
17          blue square dot is actually the location of the Number 1  
18          Zarafa well. The red dot is the proposed location where  
19          it's fairly flat. You can see up in the very top of that,  
20          above where it says "3493' of existing road", just right  
21          above the "existing", there's kind of an open area that's  
22          relatively flat, and I think that's the area that was  
23          looked at for that northwest northwest quarter.

24          Q.    And your geologist is going to discuss the  
25          appropriateness --

1 A. That's correct.

2 Q. -- of that particular location?

3 You then have as Exhibit Number 5 a series of  
4 pictures, do you not?

5 A. Yeah, somebody told me to brief and that a few  
6 pictures was probably worth a thousand words, and as a  
7 result there are a series of pictures. These pictures all  
8 actually are taken with a reference point. That flag  
9 sticking up is the flag at the 1980-1980, and it's  
10 difficult in a two-dimensional picture to give you a clear  
11 feel for slope and all, but it is fairly steep terrain in  
12 that area.

13 Q. Is Marbob Exhibit Number 6, then, an affidavit  
14 from Mary Jo Rugwell, who's the Assistant Field Manager for  
15 BLM?

16 A. Yes, it's a thing where -- This is an affidavit  
17 that describes the fact that they objected to our surface  
18 location, where it was originally proposed. It's a thing  
19 where -- and like you may remember, I sent you a copy of a  
20 letter on another location where the feds wanted us to move  
21 to an unorthodox location as to shallow horizons, even  
22 though it was a deep horizon. We don't take lightly just  
23 shifting locations to unorthodox locations.

24 We understood that Mr. Hunt was actually on  
25 vacation. Otherwise I would have had Mr. Carr's office

1 subpoena him to appear, because I think sometimes they  
2 think it's just an automatic slam-dunk that the OCD will  
3 approve unorthodox locations.

4 But this is their affidavit reciting what they  
5 saw and the fact that they didn't like our original  
6 location.

7 Q. Does confirm, then, that you had meetings with  
8 the BLM and they did an on-site review?

9 A. Yes, sir.

10 Q. And that they proposed two sites that were not  
11 viable for geologic reasons in the northwest quarter?

12 A. They proposed a site in the northwest quarter  
13 that was not viable for geologic reasons and the site that  
14 we have selected.

15 Q. And they have then approved the site that you  
16 have now selected?

17 A. Yes, they have approved the permit, subject to  
18 the condition of receiving the unorthodox approval from the  
19 State.

20 Q. Okay. Now, is Marbob Exhibit Number 7 an AFE?

21 A. Yes, that's the AFE as to what we believe the  
22 cost will be for drilling that well at a vertical depth.

23 Q. Have you examined the additional costs that would  
24 be incurred if you were required to directionally drill  
25 this well?

1           A.    Right.  Our drilling superintendent,  
2 unfortunately, is actually working on another project that  
3 requires deviation, and so he's had all the companies  
4 talking to him.  He has calculated that the cost of  
5 actually drilling this well from this location to the  
6 orthodox location would add about \$100,000 to our cost.

7           Q.    Is that a minimum cost or --

8           A.    That is a minimum cost.  That assumes that we  
9 largely don't have any significant problems in the  
10 deviation.

11          Q.    What are the economics like with respect to this  
12 well?

13          A.    It winds up being a thing where we have actually  
14 drilled three wells in this area previously.  One of them,  
15 the original well, was the Como fee back to the southeast.  
16 It was targeted as a Cisco test.  That was the original  
17 reason we got into this project.

18          Q.    Is that shown on your Exhibit Number 1?

19          A.    I believe it may be.  Yes, it would be in Section  
20 18 there, on Exhibit Number 1.

21          Q.    Okay.

22          A.    It was originally a Cisco project.  It failed at  
23 the Cisco.  At that time, Senior Mr. Gray was still and he  
24 says, Well, boys, do we own the rights?  Should we go on  
25 down?  And so we took it to the Morrow.  It made a very

1 marginal Morrow producer and is currently plugged.

2 We then -- the geologists, Mr. Como and our  
3 geologists, looked at the possibility that their  
4 interpretation geologically was wrong, and so we switched  
5 and went to the location of the Zarafa "FF", and what the  
6 "FF" stands for is flip-flop. And so we went up there and  
7 tried a Cisco test, and it failed as a Cisco test. Again,  
8 we took it on to the Morrow. The Morrow was actually  
9 productive there.

10 Based on that productive well, we then moved to  
11 the east in Section 7 and drilled the Zarafa, and that well  
12 was taken to the Morrow. It was marginally productive. It  
13 has now been converted to a saltwater disposal well for the  
14 Zarafa Number 1.

15 Q. So is this proposed well -- would you consider it  
16 risky at this point?

17 A. It's taken us quite a bit of *huevos* to decide to  
18 drill this well.

19 Q. And that's not taking into account the minimum of  
20 \$100,000 that would be involved if you were required to  
21 directionally drill?

22 A. That's correct.

23 Q. Is Marbob Exhibit Number 8 an affidavit with  
24 attached letters giving notice of this hearing?

25 A. Yes, it is.

1 Q. And I believe you mentioned Como Petroleum  
2 Company. Does Exhibit Number 2, which was your  
3 Application, does that contain a waiver letter from Como  
4 Petroleum Company?

5 A. Yes. Mark Robinson is a geologist and the head  
6 of Como Petroleum, and Mark is very supportive of this  
7 location that we're proposing to drill, and they're ready  
8 to drill. In fact, we thought we would probably receive an  
9 administrative approval, and so we had it scheduled, and  
10 we're waiting.

11 Q. Okay. In your opinion, will approval of this  
12 Application be in the best interests of conservation, the  
13 prevention of waste and the protection of correlative  
14 rights?

15 A. Yes.

16 Q. Were Exhibits 1 through 8 prepared by you or  
17 compiled under your direction and supervision?

18 A. Yes, they were.

19 Q. And I want to just make sure I understand one  
20 thing. Did you testify that the ownership across this  
21 section is the same?

22 A. Yes, all of the royalty is under the same federal  
23 lease. It is the identical ownership as to the royalty,  
24 the overriding royalty interest and the working interest.

25 Q. And you're the operator on both the east half and

1 the west half?

2 A. Yes, sir, we are.

3 Q. So essentially, you're encroaching upon yourself?

4 A. That's correct.

5 MR. FELDEWERT: Okay. Mr. Examiner, I would move  
6 the admission into evidence at this time of Marbob Exhibits  
7 1 through 8.

8 EXAMINER STOGNER: Exhibits 1 through 8 will be  
9 admitted into evidence at this time.

10 MR. FELDEWERT: And that concludes my examination  
11 of this witness.

12 EXAMINATION

13 BY EXAMINER STOGNER:

14 Q. Okay, I'm not sure I know where Como comes in.

15 A. Como actually bought the lease, and they actually  
16 have a 40-percent working interest in the project, Mike.

17 Q. Okay. Now, when you say the project, is this  
18 across all of Section 12 that they own --

19 A. Yes, they and us own all of Section 12. We have  
20 a 60-percent working interest, they have a 40-percent  
21 working interest. If you look also in Section 7 you see  
22 Como Petroleum. We own 60 percent, they own 40 percent.  
23 The north half of 13 is also that same ownership pattern.  
24 There are other lands identified on this map where it says  
25 Como. Marbob actually owns 60 percent and Como owns 40

1 percent in all of those tracts.

2 Q. As far as the affected parties, as far as notice  
3 goes, that would be the east half of 12?

4 A. Right.

5 Q. And according to your testimony that's identical  
6 ownership. Now, is that all one lease or is that two  
7 leases?

8 A. That's all one federal lease.

9 Q. One federal lease. And that would be depicted --

10 A. It's NM-101079 up there. It covers the entire  
11 Section 12.

12 Q. Now then, let's refer to Exhibit 2. Did you  
13 review this application filed by Mr. Chumbley with the OCD?

14 A. Yes, after your denial I did.

15 Q. Okay, so you didn't see it before it came in?

16 A. No, Mike, we've got six drilling rigs running on  
17 us today, four shallow, two deep. We have a staff in our  
18 entire office of 16 people, and unfortunately we only fight  
19 fires at this point.

20 Q. Okay, so as far as this, do you see why this  
21 little spark was returned?

22 A. Yes, sir.

23 Q. Okay.

24 A. And that's why I'm up here instead of Mr.  
25 Chumbley, because I didn't want you to explain to him that

1 he needed to do better work.

2 Q. Okay. And then I guess the fire that you  
3 referred to would be Exhibit Number 3, that would be my  
4 letter; is that correct?

5 A. Yes.

6 Q. Okay.

7 A. Well, no, the fires, I have a lot of them. Yours  
8 is actually the easier ones, Mike. The larger challenges  
9 are with the BLM.

10 Q. But the presentation with Exhibits 4 on, and with  
11 the exception, because I haven't heard from the geologist  
12 yet, this was all done beforehand, and this was all known  
13 prior to Mr. Chumbley's application; is that correct?

14 A. It was known, but I actually had him go take the  
15 pictures, and also that I would have better reference to  
16 provide the information in a more appropriate manner than  
17 what -- the sketchy information they gave you under the  
18 Application.

19 Q. Okay. Now, how did you obtain this Exhibit  
20 Number 6? Ms. Rugwell, she is a federal employee; is that  
21 correct?

22 A. Yes, we asked Mr. Carr to subpoena Mr. Hunt to  
23 appear, because in many discussions that we have, including  
24 that one that I sent you the copy of the letter on, BLM's  
25 attitude is kind of, Well, the State will approve an

1 unorthodox location. And I thought that if -- and I'm not  
2 happy with the Carlsbad BLM on multiple fronts, and I  
3 thought it might be a good lesson for them to have the  
4 opportunity to appear, to understand the process of what  
5 you're looking at and the fact that you just don't want any  
6 old location moved for nonsignificant reasons.

7           Unfortunately, he was on vacation and we wanted  
8 to go forth with the hearing, and so Mr. Carr asked if they  
9 would consider an affidavit, because he was actually the  
10 person who did it. She met with Don Peterson, who works  
11 with Barry Hunt. They pulled Barry Hunt's field notes out  
12 of the file in regard to this and then developed the  
13 affidavit based on that, and she is Mr. Hunt's direct  
14 supervisor.

15           EXAMINER STOGNER: I have no other questions of  
16 Mr. Miller at this point. Thank you, sir.

17           THE WITNESS: Thank you.

18           MR. FELDEWERT: We would then call our next  
19 witness, Mr. Examiner.

20                           BRENT MAY,

21 the witness herein, after having been first duly sworn upon  
22 his oath, was examined and testified as follows:

23                           EXAMINATION

24 BY MR FELDEWERT:

25           Q.    Would you please state your name, where you

1 reside, by whom you're employed and in what capacity?

2 A. My name is Brent May, I live in Artesia, New  
3 Mexico, I'm employed by Marbob Energy as a geologist.

4 Q. And have you previously testified before this  
5 Division and had your credentials in petroleum geology  
6 accepted and made a matter of record?

7 A. Yes, I have.

8 Q. Are you familiar with the Application filed in  
9 this case?

10 A. Yes, I am.

11 Q. And have you made a geologic study of this area,  
12 and are you prepared to share the results of your work with  
13 the Examiner?

14 A. Yes, I have.

15 MR. FELDEWERT: Are the witness's qualifications  
16 acceptable?

17 EXAMINER STOGNER: They are.

18 Q. (By Mr. Feldewert) Would you please identify the  
19 primary objective of this well, both by formation and by  
20 pool?

21 A. It is the Morrow formation, which is the  
22 Undesignated Southeast Cemetery-Morrow Gas Pool.

23 Q. Okay. Would you turn to Marbob Exhibit Number 9,  
24 identify that and review that for the Examiner, please?

25 A. Exhibit 9 is a stratigraphic cross-section, A-A'.

1 There's a location map in the lower right-hand corner.  
2 It's a west-to-east cross-section. It shows basically just  
3 the Morrow section. I've got the upper Morrow labeled, the  
4 Morrow clastics, the lower Morrow. The datum is the top of  
5 what I call the Zarafa sand, which is the productive zone  
6 in the Zarafa Number 1. I also have that zone highlighted  
7 in yellow.

8 Starting on the left-hand side of the cross-  
9 section with the Yates Petroleum Yerba Federal Number 1 in  
10 Section 14, 21 South, 24 East, this well was originally  
11 drilled by Yates back in the early 1990s. There was a  
12 completion attempted in the Morrow clastics and the lower  
13 Morrow. It did not work out. Eventually the well was  
14 plugged.

15 The one thing I want to note, that the Zarafa  
16 sand was DST'd on the way down. It recovered 90 feet of  
17 mud and 1552 feet of slightly gas-cut formation water.

18 The next well on the cross-section is the Marbob  
19 Energy Zarafa Federal Number 1, in Section 12 of 21 South,  
20 24 East. This is the producer in the area. Marbob  
21 originally drilled this well down, had some problems, had  
22 to sidetrack. This is the sidetrack being shown here. In  
23 fact, the electric log is a cased hole. It's a neutron  
24 sonic. It is not a neutron density like the other two  
25 wells.

1           Completion was attempted in the Morrow clastics  
2 and the lower Morrow, IP'd for a little over 600 MCF but  
3 didn't last long. We then abandoned those perforations,  
4 came up, shot one more zone in the upper part of the Morrow  
5 clastics and shot the Zarafa sand. It came in for  
6 approximately 1.5 to 2 million cubic feet of gas a day with  
7 no water.

8           The current daily production on it is close to a  
9 million cubic feet of gas a day, about a barrel of  
10 condensate, and 80 barrels of water. This well, when it  
11 originally came on out of the Zarafa sand, was water-free.  
12 The water after a certain time started coming in and is  
13 gradually creeping up.

14           Cumulative production on this well is close to a  
15 BCF, about 2000 barrels of condensate and over 28,000  
16 barrels of water.

17           The last well on the cross-section, on the far  
18 right-hand side, is the Marbob Energy Zebra Federal Number  
19 1 in Section 7, 21 South, 25 East. This well, again, was  
20 drilled down to the Morrow, a completion attempted in the  
21 Morrow clastics and the lower Morrow. Did not have success  
22 there, came up and shot the very top of the Zarafa sand.  
23 It's wet. And then went up and attempted some zones in the  
24 Atoka, Bone Spring, Cisco/Canyon, failed there, converted  
25 into a saltwater disposal into the Cisco/Canyon, and we're

1 disposing the water from the Zarafa Number 1 into this well  
2 currently.

3 Q. Okay, now you mentioned the water in the area. I  
4 want you to move to Marbob Exhibit Number 10 and identify  
5 that and review that for the Examiner, in particular with  
6 respect to the reason for your unorthodox well location.

7 A. This is a structure map on top of the Zarafa sand  
8 shown in Exhibit Number 9. You can see the general  
9 regional dip from west to east. Downdip is to the east,  
10 updip is to the west. Looking in Section 12, in the  
11 southeast corner is the Zarafa Number 1. That is the  
12 producer. You can see our proposed location, 1650 off the  
13 south line, 2550 off the west line, in the southwest  
14 quarter of Section 12. I believe that well should be about  
15 70 feet updip to the producing well, the Zarafa Number 1.

16 Let's look over in Section 7 of 21 South, 25  
17 East, the Zebra Federal Number 1 in the northeast quarter  
18 of that section. That well is approximately 100 feet  
19 downdip. In my geologic brilliance I picked that location  
20 after we drilled the Number 1, and at that time the Zarafa  
21 Number 1 was not making any water. When we spudded that  
22 well and were in the middle of drilling it, the Zarafa  
23 Number 1 started cutting water, so we knew we were in  
24 trouble. And when we got down there, that's why we only  
25 shot the very upper one or two feet of the sand, Zarafa

1 sand, in the Zebra, because we were afraid it was wet, and  
2 it was.

3 We might note, going back over in Section 11 and  
4 Section 14 of 21 South, 24 East, there's a well in Section  
5 11, the Fasken Gates Federal Number 2 in the southeast  
6 quarter. It's a dry hole. That well was drilled down to  
7 the Morrow. It was tested in the same Zarafa sand, and it  
8 was wet. Note that we're way updip from the Number 1.

9 The Yates Yerba, which was on the Exhibit Number  
10 9, is also way updip and also tested wet. So there's  
11 something going on in between the Zarafa Number 1 and these  
12 two wells off to the west. What, I don't know exactly. I  
13 can predict maybe it's a fault that's cut the reservoir,  
14 maybe the reservoir is separated up by a perm barrier, or  
15 maybe the sand is actually pinched off and we have two  
16 separate sandbodies. At this point I don't know. But what  
17 I hope is that we get -- with our proposed location we're  
18 updip and we stay in the same reservoir as the Zarafa  
19 Number 1.

20 You also might note the structural position of  
21 the west half of Section 12 is updip of the Number 1, so  
22 geologically, just from a structural position, all of the  
23 west half of Section 12 looks good. But in the next  
24 exhibit I'll show why that's not the case.

25 Q. Okay, why don't you move to Marbob Exhibit Number

1 11, identify that and review that for the Examiner, please.

2 A. This is what I would call a clean sand map. It  
3 shows a gamma-ray cutoff of 50 API units or less. It is of  
4 the Zarafa sand only. It's what was highlighted in yellow  
5 on Exhibit Number 9, does not show or include any of the  
6 other Morrow sands.

7 This sand, the Zarafa sand, I feel like is a  
8 beach or bar sand that runs parallel to subparallel to the  
9 shoreline. This orientation from northeast, general  
10 northeast to southwest, is perpendicular to what you see in  
11 a lot of the sands in the Morrow clastics or the lower  
12 Morrow. Those sands generally can be channel-type sands,  
13 which generally run from north to south, northwest to  
14 southeast. But this is something different. Like I said,  
15 it's more of a beach or a bar sand.

16 Looking at the Section 12, at the producing well,  
17 the Zarafa Number 1, we had about 12 feet of sand there and  
18 had good reservoir qualities. The proposed location should  
19 have at least that amount or maybe a little bit more  
20 thickness in the sand, so that's the reason that we like  
21 this location.

22 The other wells that did penetrate this sand, the  
23 Zebra over in Section 17 had 13 feet, but again it was wet  
24 and downdip. The other two wells that penetrated the sand,  
25 the Fasken Gates Federal Number 2 in Section 11 and the

1 Yerba in Section 14, had 14 feet and 11 feet, and again  
2 those were the updip wet wells.

3 Looking at the west half of Section 12, in my  
4 opinion the southwest quarter is the best place to drill a  
5 well. You're updip to the Zarafa Number 1, the producer,  
6 and you also have the sand thick running through the  
7 southwest quarter. But of course, we cannot get an  
8 orthodox location there.

9 Now, the location that was suggested up in the  
10 northwest quarter, the northwest northwest, in my opinion  
11 is going to be sand- -- we may not see any sand, or the  
12 sand is going to be very thin, so that's why we do not want  
13 to go up there.

14 Now, in the south half of that northwest you may  
15 have enough sand. If you'll recall, the original location  
16 was spotted up there, 1980 off the north and west. That  
17 was not my location, that's Como Petroleum's location. I  
18 have always liked the southwest quarter better. They have  
19 been a good partner, they own a big chunk of this well, 40  
20 percent, so we went with their location.

21 But when it was denied and when we had to pick  
22 between the northwest northwest and something down -- well,  
23 in the location we have, I definitely prefer the location  
24 in the southwest quarter. And I definitely prefer any  
25 location that we could get in an orthodox position in the

1 southwest quarter.

2 Q. In your opinion, will approval of this  
3 Application and the drilling of the Zarafa "FF" Federal  
4 Well Number 2 at a point 1650 from the south and 2550 from  
5 the west in Section 12, would that provide you the best  
6 opportunity to produce a commercial well, or to generate a  
7 commercial well?

8 A. Yes, and -- Yes, it would. I might add, though,  
9 that there is risk involved. Like I mentioned before,  
10 there's something going on between the wells that are updip  
11 and wet to the west and the producing well, if it's a  
12 fault, a perm barrier, whatever it is. I don't know where  
13 that is, and so that provides the risk. If we're on the  
14 west side of that fault or perm barrier or whatever it is,  
15 we're in trouble. If we're on the east side of it and in  
16 the same reservoir as the Zarafa Number 1, we should be  
17 okay.

18 I might add that -- what Mr. Miller described  
19 earlier, you know, we drilled three wells out here. Two  
20 were essentially dry holes and one producer. I had to talk  
21 our owner into drilling this one, especially after I had  
22 described in my brilliant geological advice on going  
23 downdip in Section 7 to the Zebra. So we're hoping that we  
24 can get this proposed unorthodox location and the owner  
25 will go ahead and let us -- he will let us drill at this

1 location.

2 Q. In your opinion, will approval of this  
3 Application be in the best interests of conservation, the  
4 prevention of waste and the protection of correlative  
5 rights?

6 A. Yes, it will.

7 Q. Were Marbob Exhibits 9 through 11 prepared by you  
8 or compiled under your direction and supervision?

9 A. Yes, they were.

10 MR. FELDEWERT: Mr. Examiner, at this time I  
11 would move the admission into evidence of Marbob's Exhibits  
12 9 through 11.

13 EXAMINER STOGNER: Exhibits 9 through 11 will be  
14 admitted into evidence.

15 MR. FELDEWERT: And that concludes my examination  
16 of this witness.

17 EXAMINATION

18 BY EXAMINER STOGNER:

19 Q. Mr. May, I know this wasn't your exhibit, I'm  
20 looking at Exhibit Number 6, and it talks about Mr. Hunt  
21 recommended that the location be moved, and then it says  
22 Marbob advised the BLM that due to geological  
23 considerations, that two of their locations, the BLM, the  
24 major surface resources, was not accepted due to geology.

25 Were you involved on those two locations that

1 they talk about?

2 A. I was not physically out there. Now, I'm  
3 assuming that the two locations -- the one location -- Let  
4 me see if I understand your question correct, that we were  
5 not happy with some of the locations that the BLM  
6 suggested? Is that what you're --

7 Q. Let me read it. "Based on this inspection Mr.  
8 Hunt recommended that the original Marbob location be moved  
9 and recommended two locations that met BLM surface  
10 resources concerns. Marbob advised the BLM that, due to  
11 geological considerations, these were not viable locations  
12 and proposed an alternate unorthodox...location 1650 from  
13 the South...2550 from the West line..."

14 A. Okay. The one location I am aware of is the  
15 northwest northwest. I was not out there when we talked on  
16 site with the BLM, so I'm not sure exactly what that other  
17 one was. It could have been in the northwest quarter. I'm  
18 assuming it's in the northwest quarter, because in my  
19 opinion the southwest, if we could get anything orthodox  
20 there, I'd be willing to drill that. But I can't say  
21 anything to the second one.

22 Q. Okay. So you referred a couple of times in your  
23 direct testimony, northwest northwest, so this is what you  
24 were referring to?

25 A. Yes, sir.

1 EXAMINER STOGNER: Okay. I don't have any other  
2 questions of Mr. May.

3 MR. FELDEWERT: Mr. Examiner, that concludes our  
4 presentation.

5 EXAMINER STOGNER: Okay, let's see. Mr. Miller -  
6 -

7 MR. MILLER: Yes.

8 EXAMINER STOGNER: -- do you have a rig  
9 available, ready to go, or what's the story on the rig?

10 MR. MILLER: What we did was, because of the fact  
11 that the location was denied, we have moved the rig to  
12 another location. We have two deep rigs, a Patriot rig and  
13 a -- I keep calling them Graystroke, I think they may be  
14 Gray Wolf, but we have one of their rigs drilling. And as  
15 a result, if this location is approved, or this exception  
16 is granted, then we would schedule it in as one of the next  
17 locations. But we have not done anything until we  
18 determine whether or not that surface location would be  
19 acceptable to you.

20 EXAMINER STOGNER: Okay, with that, because  
21 Marbob has come in today and sort of corrected the  
22 administrative application -- I use the word "application"  
23 loosely when I refer to that -- you definitely have the  
24 Division's Santa Fe Office's verbal consent on this, and I  
25 will be making my recommendations to Ms. Wrotenbery, which

1 I'm sure will be taken, so essentially consider this an  
2 approval.

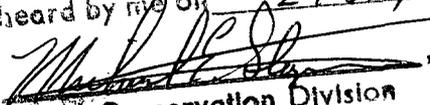
3 And thank you again for coming in.

4 MR. MILLER: I apologize for taking your time  
5 through the Division. We should have got it right the  
6 first time.

7 EXAMINER STOGNER: If you can get Mr. May and Mr.  
8 Chumbley to come up with this and submit it the next time,  
9 we'll see you administratively. Thank you again.

10 (Thereupon, these proceedings were concluded at  
11 11:55 a.m.)

12 \* \* \*

13  
14  
15 I do hereby certify that the foregoing is  
16 a complete record of the proceedings in  
17 the Examiner hearing of Case No. 13109,  
18 heard by me on 24 July 2003.  
19 , Examiner  
20 Oil Conservation Division  
21  
22  
23  
24  
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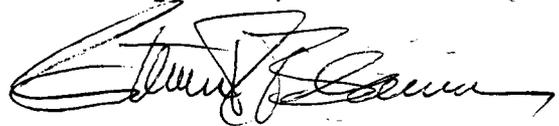
## CERTIFICATE OF REPORTER

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 July 26th, 2003.




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STEVEN T. BRENNER  
 CCR No. 7

My commission expires: October 16th, 2006