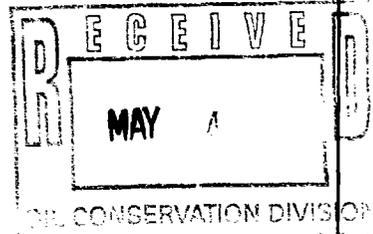


STATE OF NEW MEXICO

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. 11,238

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.

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I N D E X

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 Examiner Hearing
 CASE NO. 11,238

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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 10:06 a.m.:

3 EXAMINER CATANACH: At this time we'll call Case
4 Number 11,238.

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

8 EXAMINER CATANACH: Are there appearances in this
9 case?

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

13 We represent Marbob Energy Corporation in this
14 matter, and I have one witness.

15 EXAMINER CATANACH: Additional appearances?
16 Will the witness please stand to be sworn in?

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

20 DIRECT EXAMINATION

21 BY MR. CARR:

22 Q. Will you state your name for the record, please?

23 A. Mike Hanagan.

24 Q. Mr. Hanagan, where do you reside?

25 A. In Roswell, New Mexico.

1 Q. By whom are you employed?

2 A. Marbob Energy.

3 Q. And what is your current position with Marbob?

4 A. Geologist.

5 Q. Have you previously testified before this
6 Division?

7 A. Yes, I have.

8 Q. At the time of that testimony, were your
9 credentials as a petroleum geologist accepted and made a
10 matter of record?

11 A. Yes, they were.

12 Q. Are you familiar with the Application filed in
13 this case on behalf of Marbob?

14 A. Yes, I am.

15 Q. And have you made a geological study of the area
16 surrounding the South Lone Wolf-Devonian Pool and, in
17 particular, of the proposed unorthodox location?

18 A. Yes, I have.

19 MR. CARR: Are the witness's qualifications
20 acceptable?

21 EXAMINER CATANACH: Yes, they are.

22 Q. (By Mr. Carr) Mr. Hanagan, could you briefly
23 state what Marbob seeks in this case?

24 A. We seek an unorthodox location based on geologic
25 considerations.

1 Q. And the well involved in this case is the White
2 Fang Federal Number 1 well?

3 A. Yes, sir, it is.

4 Q. And what is the unorthodox location you're
5 seeking for that well?

6 A. The well location is 1353 feet from the north and
7 1914 feet from the west of Section 33, Township 13 South,
8 Range 29 East.

9 Q. And what acreage will be dedicated to the well?

10 A. The southeast quarter of the northwest quarter.

11 Q. And that's a standard oil unit in this pool?

12 A. Yes, sir, it is.

13 Q. What are the current well-location requirements
14 for the South Lone Wolf-Devonian Pool?

15 A. I believe they're 330-foot offsets from the
16 boundaries.

17 Q. From the boundaries of the 40-acre tract?

18 A. Yes, sir.

19 Q. Let's go to what has been marked Marbob Exhibit
20 Number A, or Letter A, and would you identify that and
21 review it for Mr. Catanach?

22 A. Yes, Exhibit A is a leasehold map of Section 33,
23 which reflects all the offsetting proration units in this
24 section.

25 The White Fang is located -- is the red dot

1 located in the very north part of the southeast quarter of
2 the northwest quarter.

3 Two other wells are shown, the Marbob Number 2
4 Marathon Federal, which was abandoned in July of 1994, and
5 the Marbob Number 1 Lobo Federal, which is located about a
6 quarter of a mile south.

7 It's also -- This map also shows lease ownership,
8 which -- both of these are federal leases, both the leases
9 are owned by Marbob, record title is by Marathon. Marathon
10 owns record title, Marbob has operating rights.

11 Q. And in fact, you're only moving the well toward
12 acreage operated by Marbob and acreage under which there's
13 common ownership?

14 A. Yes, sir.

15 Q. All right, let's go to Exhibit Letter B. Would
16 you identify and review that?

17 A. This is a structural contour map on the top of
18 the Siluro-Devonian formation. It's based on 3-D seismic
19 information in conjunction with existing subsurface
20 geology.

21 The primary feature on this is -- There's a
22 north-south trending fault on the west side of this
23 feature, which is the thicker red line. There's a couple
24 of small adjustment faults having 50 to 75 foot of throw,
25 maybe up to 100 foot of throw.

1 Coming off of this main fault, one of them bounds
2 the Lobo feature to the south of this well, of this
3 proposal. The other fault runs just north of the existing
4 Marbob Number 2 Marathon Federal, and we plan on -- This
5 location is based on getting the highest position on the
6 upthrown side of that fault.

7 Q. And what you're doing is trying to locate as high
8 as possible on this small Devonian feature to produce the
9 reserves in that feature?

10 A. Uh-huh.

11 Q. Do you have a bottom water drive in the area? Is
12 that the reservoir drive?

13 A. Very strong bottom water drive in this area.

14 Q. And by locating a well at this proposed location,
15 is it your intention to recover as much oil as possible
16 without leaving attic oil behind?

17 A. Yes, sir.

18 Q. Is Exhibit Letter C an affidavit confirming that
19 notice of this Application has been provided in accordance
20 with OCD rules?

21 A. Yes, it is.

22 Q. And notice was given to the Bureau of Land
23 Management and also to Marathon because of their ownership
24 in the area?

25 A. Yes, sir.

1 Q. In your opinion, will approval of this
2 Application result in the recovery of hydrocarbons that
3 otherwise will be left in the ground?

4 A. Yes.

5 Q. And will it otherwise be in the best interests of
6 conservation, the prevention of waste and the protection of
7 correlative rights?

8 A. Yes, sir, it will.

9 Q. Were Exhibits A through C either prepared by you,
10 Mr. Hanagan, or at your direction?

11 A. Yes, they were.

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

14 EXAMINER CATANACH: Exhibits A through C will be
15 admitted as evidence.

16 MR. CARR: That concludes my examination of this
17 witness.

18 EXAMINATION

19 BY EXAMINER CATANACH:

20 Q. Mr. Hanagan, what's the current status of the
21 Marathon Federal Number 2?

22 A. It's been temporarily abandoned in July of 1994.
23 It was a Devonian producer, and it's been abandoned with a
24 bridge plug.

25 Q. Okay. Again, what you hope to get is

1 structurally higher and on the other side of the fault from
2 the Marathon 2 Federal?

3 A. Yes, sir. The Marathon 2 was not drilled on the
4 3-D survey; it was drilled prior to us shooting the 3-D
5 survey.

6 Q. Will the proposed well recover reserves that
7 weren't recovered by the Marathon 2 Federal?

8 A. Yes, sir.

9 Q. The fault effectively seals off --

10 A. Yeah, that's somewhat a question whether that's
11 actually a sealing fault or not, but any reserves that are
12 remaining on that side will either be recovered by that
13 well or the Lobo well.

14 The fault has at least raised the reservoir up
15 above that.

16 Q. Do you have any estimates on how much oil the
17 proposed well may recover?

18 A. Yeah, I would -- My estimates are close to --
19 between 300,000 and 500,000 barrels.

20 Q. Okay, you said that -- Is Marathon an interest
21 owner in this lease?

22 A. Yes, sir, they are.

23 Q. Okay, is it just Marathon and Marbob, or are
24 there other interest owners?

25 A. Marbob has some internal partners.

1 Q. The interest, however, is common as to all these
2 leases, or as to all this acreage in Section 33?

3 A. Yes, sir.

4 Q. Okay, that's including the white-colored acreage?

5 A. Uh-huh, the white-colored acreage is held by that
6 Number 1 Lobo Federal well, and the acreage is common
7 there. Marathon actually has a back-in in that piece, but
8 that's through a farmout agreement.

9 Q. Okay. The interest in the blue section is all
10 common?

11 A. Yes, sir.

12 Q. Mr. Hanagan, have you encountered any drift in
13 these wells that you know about?

14 A. No, sir, not in either the Marathon 2 or the
15 Lobo. The Marathon 2 had up to three degrees deviation,
16 according to the dipmeter, and that went to the southeast.

17 Q. You're not likely to drift to the north in that
18 proposed well?

19 A. No, sir, not unless we encounter that fault,
20 which we hope to be far enough away. That fault, the minor
21 fault that's separating the two, should be close to
22 vertical.

23 EXAMINER CATANACH: I have nothing further of the
24 witness.

25 MR. CARR: That concludes our presentation in

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this case.

EXAMINER CATANACH: There being nothing further
in this case, Case 11,238 will be taken under advisement.

(Thereupon, these proceedings were concluded at
10:15 a.m.)

* * *

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 11238
heard by me on April 6 1995.
Daniel R. 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 14th, 1995.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1998