

1 STATE OF NEW MEXICO  
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
3 OIL CONSERVATION DIVISION  
4 CASE 10136

5  
6  
7 EXAMINER HEARING

8  
9 IN THE MATTER OF:

10  
11 Application of Marbob Energy Corporation  
12 for an Unorthodox Oil Well Location,  
13 Eddy County, New Mexico

14  
15  
16 TRANSCRIPT OF PROCEEDINGS

17  
18 BEFORE: MICHAEL E. STOGNER, EXAMINER

19  
20 STATE LAND OFFICE BUILDING

21 SANTA FE, NEW MEXICO

22 October 31, 1990

23  
24  
25 **ORIGINAL**

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

FOR THE DIVISION:

ROBERT G. STOVALL, ESQ.  
Legal Counsel to the Division  
Post Office Box 2088  
State Land Office Building  
Santa Fe, N.M. 87504-2088

FOR THE APPLICANT:

WILLIAM F. CARR, ESQ.  
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Post Office Box 2208  
Santa Fe, N.M. 87504-2208

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1 EXAMINER STOGNER: Call next case, No.  
2 10136, which is on the third page.

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

6 EXAMINER STOGNER: Call for appearances.

7 MR. CARR: May it please the Examiner, my  
8 name is William F. Carr with the law firm Campbell &  
9 Black, P.A., of Santa Fe. I represent Marbob Energy  
10 Corporation and I have one witness.

11 EXAMINER STOGNER: Are there any other  
12 appearances in this matter?

13 Will the witness please stand and raise  
14 your right hand. Mr. Carr?

15 JOHN R. GRAY

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

18 EXAMINATION

19 BY MR. CARR:

20 Q. Would you state your name for the record,  
21 please?

22 A. John R. Gray.

23 Q. Mr. Gray, by whom are you employed and in  
24 what capacity?

25 A. I'm a co-owner and vice-president of Marbob

1 Energy Corporation.

2 Q. You are the applicant in this case?

3 A. I am.

4 Q. Have you previously testified before the  
5 Oil Conservation Division?

6 A. I have.

7 Q. At that time were you qualified as an  
8 operator in Southeastern New Mexico?

9 A. Yes.

10 Q. And the subject application involves the  
11 Grayburg-Jackson-Seven Rivers-Queen-Grayburg-San  
12 Andres Pool, is that correct?

13 A. Right.

14 Q. How many wells do you operate in this  
15 particular area?

16 A. Probably, in the area, in the neighborhood  
17 of 300 wells.

18 MR. CARR: We would tender Mr. Gray as an  
19 oil and gas operator in Southeastern New Mexico.

20 EXAMINER STOGNER: Mr. Gray is so  
21 qualified.

22 Q. Mr. Gray, would you just simply state what  
23 Marbob Energy Corporation seeks with this application?

24 A. Well, we actually seek an unorthodox  
25 location for drainage purposes.

1 Q. Have you prepared or had prepared certain  
2 exhibits for presentation in this case?

3 A. Yes, we have.

4 Q. Would you refer to what has been marked as  
5 Marbob Exhibit No. 1, identify this plat and then  
6 review it for Mr. Stogner.

7 A. This is a plat of the acreage surrounding  
8 the 40 acres of the eight acres we intend to work on.

9 Q. Now, the subject acreage is the white  
10 40-acre tract in the center?

11 A. Right.

12 Q. Would you review for Mr. Stogner who is the  
13 operator of each of the offsetting tracts?

14 A. Okay. The yellow is Anadarko (Texaco), the  
15 green is Phillips, the purple is Burnett and the  
16 orange is Marbob.

17 Q. And the well that is the subject of this  
18 hearing is the well in the extreme southeast corner of  
19 the 40 acres that is white in the center of the shaded  
20 area?

21 A. Right.

22 Q. Are there any special rules in effect for  
23 this area?

24 A. 40-acre spacing.

25 Q. And there are, then, 330-foot setbacks from

1 the outer boundary of the tract?

2 A. Right.

3 Q. How far is the proposed well from the  
4 Anadarko tract to the east?

5 A. 330 feet.

6 Q. And the tract due south on which you're  
7 encroaching, that's a Marbob Energy Corporation tract?

8 A. Right. It is.

9 Q. Let's go to what has been marked as Marbob  
10 Exhibit No. 2. Would you identify and review that for  
11 Mr. Stogner?

12 A. This is showing the distance from the  
13 existing wells, the #1 and #2 wells, to the proposed  
14 location. As you'll note, we've drilled a well down  
15 there in the south which we can only get 467 feet away  
16 from. We made a fair well out of it, but due to the  
17 fact that we need more drainage by drilling this  
18 inside location, we feel like we can actually drain  
19 this acreage; plus the fact we leave an orthodox  
20 location up in the northwest corner if we ever decide  
21 that it's feasible to drill it.

22 Q. This proposed location, in fact, gets you  
23 as far away as possible from existing wells?

24 A. That's right.

25 Q. And then attached to this are completion

1 reports?

2 A. Yes, the completion reports of the existing  
3 wells.

4 Q. And these show their actual locations?

5 A. Yes.

6 Q. Let's go to Marbob Exhibit 3, which is a  
7 page from the December 1989 New Mexico Engineering  
8 Committee Report, and I would ask you to explain to  
9 Mr. Stogner what this page shows?

10 A. That is showing roughly the cumulative  
11 production as of, I think, January 1989. The two old  
12 existing wells made around 42,000 barrels gross.  
13 Since we drilled this #4 well it's been about 19,000  
14 barrels.

15 We feel like we just have a lot more  
16 drainage with the technique we have of treatment  
17 stimulating there now. We'll be able to have a lot  
18 better cum's on this well or possibly as much, anyway,  
19 as the existing, old wells.

20 Q. And these techniques plus the desire just  
21 to get to an undrained portion of the reservoir--

22 A. Right.

23 Q. --are those the reasons for this proposed  
24 location?

25 A. Yes. We just do not believe you can drain



1 a 40-acre tract in the San Andres.

2 Q. Have you previously had studies conducted  
3 on the Grayburg-San Andres in this area?

4 A. Yes, we have.

5 Q. Was that study presented to the Division in  
6 Case 8433?

7 A. Right.

8 Q. That resulted in Order R-7808?

9 A. I believe that's the right order number.

10 Q. And in that case did the Commission find  
11 that infill wells were necessary to drain the  
12 Grayburg-San Andres in this area?

13 A. It did.

14 MR. CARR: May it please the Examiner, we  
15 would request that the Division take administrative  
16 note of the study that was presented in Case 8433.

17 EXAMINER STOGNER: Case No. 8433 will be  
18 administratively reviewed.

19 Q. Mr. Gray, when that study was conducted  
20 that was presented in that hearing, how many wells did  
21 you actually drill and study at that time?

22 A. Well, at the time I think we put the report  
23 through, I think we had drilled about 10 unorthodox  
24 wells and we got individual unorthodox approval.

25 Q. And then since that time?

1           A.       Since we got the administrative deal, we've  
2 drilled 31 wells, I believe, unorthodox.

3           Q.       How close to the subject area were the  
4 wells that were studied?

5           A.       We're about a mile and a half to two miles  
6 east of where all this work was done, but in the same  
7 field.

8           Q.       In your opinion, will approval of this  
9 application enable you to recover reserves that  
10 otherwise would be left in the ground?

11          A.       Absolutely.

12          Q.       And it would therefore prevent waste?

13          A.       Absolutely.

14          Q.       Will approval of this application impair  
15 the correlative rights of any other owner?

16          A.       No.

17          Q.       Has notice been provided to the offsetting  
18 owners as required by OCD rules?

19          A.       It has.

20          Q.       Did you solicit waivers from the offsetting  
21 owners?

22          A.       We did.

23          Q.       The notice letters are marked as Marbob  
24 Exhibit No. 4, is that correct?

25          A.       That's right.

1 Q. And then the waivers are attached as Marbob  
2 Exhibit No. 5?

3 A. Yes.

4 Q. Have you received waivers from all  
5 offsetting operators?

6 A. We have.

7 Q. The only party from whom you have not  
8 received a waiver is Texaco, is that correct?

9 A. Texaco, which we're undecided about them  
10 because they're not an operator.

11 Q. What is your understanding of their  
12 ownership in the Anadarko tract?

13 A. I think they own some rights below the--

14 Q. Below the Grayburg-San Andres?

15 A. --below the Grayburg-San Andres, but we  
16 notified them anyway just for safety sake.

17 Q. Were Marbob Exhibits 1 through 5 either  
18 prepared by you or compiled under your direction?

19 A. Compiled under my direction.

20 MR. CARR: At this time, Mr. Stogner, we  
21 would move the admission of Marbob Energy Corporation  
22 Exhibits 1 through 5.

23 EXAMINER STOGNER: Exhibits 1 through 5  
24 will be admitted into evidence.

25 MR. CARR: That concludes my direct

1 examination of Mr. Gray.

2 EXAMINATION

3 BY EXAMINER STOGNER:

4 Q. Mr. Gray, what stimulation techniques were  
5 you referring to on how these wells are produced and  
6 developed out there?

7 A. Well, the way they were stimulated and  
8 frac'd years ago, we've got a much better handle on  
9 the fractures now.

10 Q. So this well will have a frac job done on  
11 it?

12 A. Yes.

13 Q. Will there be any acidization?

14 A. Yeah, it will be acidized prior to the  
15 frac.

16 Q. Are these wells put on bean pump?

17 A. Yeah. They won't flow, they'll go to the  
18 pump right then.

19 Q. Do you know what the initial bottom-hole  
20 pressure in these wells were back when it was first  
21 developed?

22 A. Mike, I don't.

23 Q. There's no waterflooding in this area as  
24 far as this formation goes, is there?

25 A. Roughly, probably three-quarters of a mile

1 to the east of us.

2 Q. But your acreage is not part of that?

3 A. No, it's not.

4 Q. Does the entire west half of the northwest  
5 quarter make up a solid lease owned by Marbob, or are  
6 those two leases?

7 A. No, it's one lease.

8 Q. One lease. With common ownership  
9 throughout?

10 A. Yes.

11 EXAMINER STOGNER: Are there any other  
12 questions of this witness?

13 MR. STOVALL: I have no questions.

14 EXAMINER STOGNER: Does anybody else have  
15 any further questions?

16 MR. CARR: Nothing further.

17 EXAMINER STOGNER: Mr. Gray, you may be  
18 excused.

19 Mr. Carr, do you have anything further?

20 MR. CARR: I have nothing further in this  
21 case, Mr. Stogner.

22 EXAMINER STOGNER: If nobody else has  
23 anything further in Case No. 10136, this case will be  
24 taken under advisement.

25 (Thereupon, the proceedings concluded.)

1 CERTIFICATE OF REPORTER

2

3 STATE OF NEW MEXICO )  
 4 ) ss.  
 5 COUNTY OF SANTA FE )

6

7 I, Carla Diane Rodriguez, Certified  
 8 Shorthand Reporter and Notary Public, HEREBY CERTIFY  
 9 that the foregoing transcript of proceedings before  
 10 the Oil Conservation Division was reported by me; that  
 11 I caused my notes to be transcribed under my personal  
 12 supervision; and that the foregoing is a true and  
 13 accurate record of the proceedings.

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

18 WITNESS MY HAND AND SEAL November 13, 1990.

19

*Carla Diane Rodriguez*  
 CARLA DIANE RODRIGUEZ  
 CSR No. 91

20

21 My commission expires: May 25, 1991

22

23

24

25

Received by me, Notary Public,  
 for the State of New Mexico,  
 on this 31 October 1990.  
*William E. Lopez*, Examiner  
 Oil Conservation Division

## NEW MEXICO OIL CONSERVATION COMMISSION

## EXAMINER HEARING

SANTA FE, NEW MEXICOHearing Date OCTOBER 31, 1990 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
Maurice Thummer	Byram	SF
John R Gray	Marbob Energy Corp	Artesia
Raye Miller	" " "	"
William F. Gull	Campbell and Clark P.A.	Santa Fe
W. J. K. K. K.	Kellner Kellner Kellner	Santa Fe
Alan W. Bolling	Chevron U.S.A.	Midland.
James Bruce	Hughes Law Firm	Albuquerque
Ernest L. Prall	Prall & Soper	Santa Fe
Rick Foppiano	OXY USA INC.	Midland, TX
Rebecca Egg		
LEE PATRICK	SAGE ENERGY CO	SAN ANTONIO, TX
Jay H. Hardy	Sage Energy Co.	Midland, TX
Sharon Daphilston	Yates Energy Corp	Redwell, NM
Bill Baker, Jr.	Yates Energy Corp	Redwell, NM
Lawrence D. Ham	MARATHON OIL CO	HOUSTON
John J. Brubaker	Marathon Oil Co.	Midland, TX

## NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARINGSANTA FE, NEW MEXICOHearing Date OCTOBER 31, 1990 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
RW Tracy Kenny Howell	MARATHON OIL CO Dept. of Interior (BLM)	MIDLAND TX Santa Fe
James F O'Brian	GATES ENERGY Corp	MIDLAND, TX
Bruce Elmer Don Elsworth	BLM - Farmington NM → BLM - Farmington NM	
Mike AKINS James BACA	CHEVRON USA Inc Chevron U.S.A. Inc.	Midland TX Midland, TX