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NEW MEXICO OIL CONSERVATION DIVISION
STATE LAND OFFICE BUILDING
STATE OF NEW MEXICO
CASE NO. 10442

IN THE MATTER OF:

The Application of Marbob Energy
Corporation for an Unorthodox Oil Well
Location, Chaves County, New Mexico

BEFORE:

MICHAEL E. STOGNER
Hearing Examiner
State Land Office Building
February 20, 1992

REPORTED BY:

CARLA DIANE RODRIGUEZ
Certified Shorthand Reporter
for the State of New Mexico

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A P P E A R A N C E S

FOR THE NEW MEXICO OIL CONSERVATION DIVISION:

ROBERT G. STOVALL, ESQ.
General Counsel
State Land Office Building
Santa Fe, New Mexico 87504

FOR THE APPLICANT:

CAMPBELL, CARR, BERGE & SHERIDAN, P.A.
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
BY: WILLIAM F. CARR, ESQ.

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I N D E X

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WITNESSES FOR THE APPLICANT:

1.	JOHN R. GRAY	
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1 EXAMINER STOGNER: Call next case, No.
2 10442.

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

6 EXAMINER STOGNER: Call for
7 appearances.

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

13 EXAMINER STOGNER: Are there any other
14 appearances in this matter?

15 Will the witness please stand to be
16 sworn at this time.

17 JOHN R. GRAY

18 Having been first duly sworn upon his oath, was
19 examined and testified as follows:

20 EXAMINATION

21 BY MR. CARR:

22 Q. State your name for the record,
23 please.

24 A. John R. Gray.

25 Q. Where do you reside?

1 A. Artesia, New Mexico.

2 Q. By whom are you employed and in what
3 capacity?

4 A. I'm with Marbob Energy Corporation.

5 Q. What position do you hold with Marbob?

6 A. I'm 50-percent ownership.

7 Q. Have you previously testified before
8 this Division?

9 A. I have.

10 Q. At the time of that prior testimony,
11 were you qualified as an operator of the well
12 that was involved in that case?

13 A. As owner-operator.

14 Q. Are you the owner and the operator of
15 the well that's the subject of the hearing today?

16 A. Yes, sir.

17 Q. How many wells do you approximately
18 operate in Southeastern New Mexico at this time?

19 A. Roughly 400.

20 Q. Are you familiar with the application
21 that's been filed in this case on behalf of
22 Marbob Energy Corporation?

23 A. I am.

24 Q. Are you familiar with the subject pool
25 and the proposed well?

1 A. I am.

2 MR. CARR: Are Mr. Gray's
3 qualifications acceptable?

4 EXAMINER STOGNER: Mr. Gray, do you
5 currently hold an office with Marbob Energy
6 Corporation?

7 THE WITNESS: As president.

8 EXAMINER STOGNER: We'll accept Mr.
9 Gray as an expert witness, as a practical oil
10 man, and as president of Marbob Energy
11 Corporation.

12 Q. What does Marbob seek with this
13 application?

14 A. Marbob seeks an unorthodox location.

15 Q. In what pool is the well located?

16 A. It's in the Chisum-Devonian.

17 Q. Have you prepared certain exhibits for
18 presentation here today?

19 A. Yes, I have.

20 Q. I direct your attention to what has
21 been marked Exhibit No. 1. Would you just
22 identify and review that for the Examiner?

23 A. Yes. It's the Oil Conservation
24 Division's well location acreage dedication plat,
25 where we've had the location staked.

1 Q. What is the footage location for the
2 proposed well?

3 A. You'll see it's 1430 from the east,
4 2363 from the south.

5 Q. This is in the Chisum-Devonian pool?

6 A. It is.

7 Q. That is based on standard statewide
8 40-acre oil well spacing?

9 A. Right.

10 Q. You'll be dedicating the northwest to
11 the southeast to the well?

12 A. Yes.

13 Q. Let's go now to what has been marked as
14 Marbob Exhibit 2. Would you identify this and
15 review it for the Examiner?

16 A. It's a plat of the map of the area.
17 There you'll see the Marbob acreage outlined in
18 yellow. The Commissioner of Public Lands, the
19 state land, is the green, and the location you'll
20 see spotted there on the map.

21 Q. How many wells are there at this time
22 in the Chisum-Devonian pool?

23 A. There's only one well producing at this
24 time in the Chisum-Devonian. There has been two
25 original producing wells.

1 Q. Could you identify those wells for Mr.
2 Stogner?

3 A. It's the No. 1. What we're seeing here
4 is the 4-CF and the #3-CF.

5 Q. Which is the producing well at this
6 time?

7 A. The #4-CF.

8 Q. The proposed well will be the second
9 oil well on that 40-acre tract?

10 A. Right.

11 Q. Have other wells been drilled and
12 attempted to be completed in this pool?

13 A. Yeah. You'll notice wells all the way
14 around it, dry holes that's been drilled.

15 Q. Has there recently been an attempt made
16 to complete a well in the southeast of the
17 southwest of this section?

18 A. Yes, there has.

19 Q. And who was the operator of that well?

20 A. I believe it was Mark Clark.

21 Q. Was that well basically drilled due
22 south of the proposed unorthodox location?

23 A. Yes, it was.

24 Q. What was the status of that well?

25 A. We found it to be running considerably

1 low to our #3 and #4-CF.

2 Q. Basically, Mr. Gray, why does Marbob
3 propose to drill at this location?

4 A. We feel like it will be updip and in
5 more or less of an attic in this Devonian, in
6 this location we've got spotted, due to what
7 we've seen off the logs of our #3 and #4 and this
8 Mark Clark well and the outlying wells around.

9 Q. Are the Devonian pools in this area
10 generally very small reservoir?

11 A. They're generally very small and
12 they're right up, again, structure.

13 Q. If you're able to drill a well at the
14 proposed location, will it enable you to produce
15 reserves from this Devonian field that would
16 otherwise be left in the ground?

17 A. I don't think there's any doubt about
18 it.

19 Q. Let's go to what has been marked
20 Exhibit No. 3. Could you identify that, please?

21 A. It's a letter to the Commissioner of
22 Public Lands notifying him of this unorthodox
23 location and his approval, that we won't want to
24 bother him.

25 Q. Who has the surface lease on this

1 acreage?

2 A. Dale Carpenter.

3 Q. Have you contacted Mr. Carpenter?

4 A. We have, and we've made arrangements
5 and paid him for a location there.

6 Q. In your opinion, will approval of this
7 application result in the recovery of
8 hydrocarbons that otherwise will not be produced?

9 A. It sure will.

10 Q. Will approval of the application be in
11 the best interest of conservation, the prevention
12 of waste and the protection of correlative
13 rights?

14 A. Absolutely.

15 Q. Were Exhibits 1 through 3 compiled
16 under your direction?

17 A. Right.

18 MR. CARR: At this time, Mr. Stogner,
19 we move the admission of Marbob Energy
20 Corporation Exhibits 1 through 3.

21 EXAMINER STOGNER: Exhibits 1 through 3
22 will be admitted into evidence at this time.

23 MR. CARR: That concludes my direct
24 examination of Mr. Gray.

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EXAMINATION

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BY EXAMINER STOGNER:

Q. Mr. Gray, let's refer to Exhibit No. 2. I want to be sure I have everything straight. The #4-CF that's in the same quarter quarter section as your proposed location, that's a presently producing Devonian well?

A. Yes.

Q. And where is the other one?

A. The #3-CF was originally a producing Devonian well. It's been plugged.

Q. How long did that well produce?

A. The #3?

Q. Yes, sir.

A. I can't exactly tell you how long. I think it produced 150- or 180-some-odd-thousand barrels, to the best of my memory.

Q. And what about the #2-CF down to the south?

A. It was drilled and plugged.

Q. Did it ever produce?

A. No.

Q. No production. So that was dry and abandoned?

A. Right. The #5 was dry and abandoned.

1 Q. That's the #5 that shows up directly to
2 the west?

3 A. Yes, directly to the west.

4 Q. How about those two wells, dry holes,
5 up to the middle of Mark 2 and 5 also?

6 A. One of those was a--there's some San
7 Andres pays right in there that produced years
8 ago, and I think they were both San Andres. One
9 of them was Devonian, yes, and it was dry.

10 Q. Do you know which one?

11 A. I'm not sure. I think it's probably
12 the #2. I think this other #5 was a San Andres.
13 They drilled--you'll notice right here on your
14 State-CF #4, there's two locations there.
15 There's a San Andres well that was about 400 foot
16 off of that right there.

17 Q. And that's identified as the #1, is
18 that correct?

19 A. Well, on the maps, I'm not going to say
20 for sure because the original 4-C right now was
21 the original Honolulu #1, and when this changed
22 to Amoco Production, for some reason or another
23 they changed the number of the wells.

24 Q. You still produce it as the State-CF
25 #4?

1 A. Right.

2 Q. You're referring to a San Andres
3 completion or producing well in the same quarter
4 section. Who is that being operated by?

5 A. Well, this has been plugged and
6 abandoned. They were originally drilled by
7 Honolulu years and years ago. If you look at it
8 real close, you'll see a dry hole mark coming off
9 the side of it there.

10 Q. When I look to the northeast and to the
11 northwest, there are also some dry and abandoned
12 wells. Did those test the Devonian?

13 A. I'm not sure.

14 Q. But they show up as dry?

15 A. Right.

16 Q. So the only two wells is the present #4
17 and the old #3, and I believe you testified to
18 that, is that correct?

19 A. Yes. That's the only two wells that's
20 produced anything out of this structure.

21 Q. Help bring me up to date. I'm not
22 familiar with the Chisum-Devonian pool. Is that
23 a sandstone or a limestone reservoir?

24 A. I believe it's a sandstone.

25 Q. Do you know what the drive mechanism

1 for that is?

2 A. It's a water drive.

3 Q. There's pumps on the #4?

4 A. Yes.

5 Q. And the #3, did it ever flow primary?

6 A. Yeah, they both flowed primary.

7 Q. They did. Do you know about how long
8 and approximately how much percentage of the
9 production was flowed primary?

10 A. No, I don't, Mr. Commissioner. I know
11 the #4 came in, when they first acidized it, at,
12 I think, seven or eight barrels an hour. They
13 acidized it again, and that jumped it up to about
14 400 barrels a day flowing. The well has made
15 almost 400,000, a little over--right around
16 400,000 barrels of oil.

17 Q. But needless to say, this is a pretty
18 small reservoir, since there has only been two
19 wells, and essentially what you're trying to do
20 is nestle in between them?

21 A. Yeah. We feel like this is updip and
22 we're pretty much about to get watered out on
23 this #4-CF and we feel like there's enough oil
24 left in place here up in the attic, again that's
25 faulted up in there, that we should be recover

1 quite a lot of oil, enough to bail us out, enough
2 to make some money out of it, and we're going to
3 water completely out on this #4.

4 The #3 did water out. This well down
5 here he was telling you was drilled to the south,
6 was a little low to these two wells here. And
7 looking at the logs on the rest of them, there
8 has to be a high right in here. Or I hope that
9 I'm right.

10 Q. Did I hear you right that there was a
11 fault up to the north?

12 A. We think there is.

13 Q. Approximately where would you put that
14 fault if I was to draw that in? In which
15 direction would I orient it?

16 A. I would say coming through in the angle
17 of this 40 right above us, 5- to 700 feet on to
18 the north above where we've staked the well.

19 MR. STOVALL: Running east/west?

20 THE WITNESS: Running east/west.

21 Q. Still talking about Exhibit No. 2 you
22 had shaded in yellow, is that all one lease?

23 A. Yes, it is.

24 Q. And that's a state lease, is that
25 correct?

1 A. Yes, it is.

2 Q. So that shares in the production
3 throughout the whole lease, is that correct?

4 A. Right.

5 Q. You've been pretty successful in past
6 applications such as this, as putting a well--I
7 should say--I don't want to call it similar to a
8 waterflood. You put a well right in amongst some
9 producers to try to get that infill production,
10 is that correct?

11 A. Right.

12 Q. Have you done this to any other
13 Devonian applications or formations?

14 A. Not, that was not in the Devonian.

15 Q. But you've been successful in other
16 formations?

17 A. Right.

18 EXAMINER STOGNER: Are there any other
19 questions for Mr. Gray?

20 MR. STOVALL: Yes, mostly for
21 curiosity.

22 EXAMINATION

23 BY MR. STOVALL:

24 Q. The #4 and the #3, how are they
25 relative to each other structurally?

1 A. Very little difference. The #3 is a
2 little low to the #4. It's not way low. But I
3 didn't bring any maps or anything, I mean, any
4 logs or anything.

5 Q. I just was kind of generally asking.

6 A. It's a little low. It watered out,
7 like I say, and we're beginning to water out up
8 here. We're still making quite a bit of oil up
9 here.

10 When we farmed this out and they
11 drilled this well here, it came in about 25 to 30
12 feet low to our #4, but it still had quite a lot
13 of oil on the DST.

14 Q. The #2 you're talking about?

15 A. No, where Mark Clark just drilled.

16 Q. Oh, okay.

17 A. So we feel like there's got to
18 be--well, hopefully we feel like there's got to
19 be a high right in here.

20 Q. Dipping to the south, southeast is what
21 you're thinking, from the north?

22 A. Yeah.

23 MR. STOVALL: That's all I have.

24 EXAMINER STOGNER: Any other questions
25 of Mr. Gray? If not, he may be excused.

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Mr. Carr?

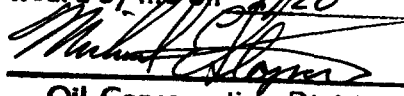
MR. CARR: Nothing further, Mr. Stogner.

EXAMINER STOGNER: Does anybody else have anything further in Case No. 10442?

If not, this case will be taken under advisement.

(And the proceedings concluded.)

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 10442, heard by me on 2/20 1992.


_____, Examiner
Oil Conservation Division

1 CERTIFICATE OF REPORTER

2
3 STATE OF NEW MEXICO)
4 COUNTY OF SANTA FE) ss.
5

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

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

19 WITNESS MY HAND AND SEAL February 26,
20 1992.

21
22
23 
24 CARLA DIANE RODRIGUEZ, RPR
25 CSR No. 4