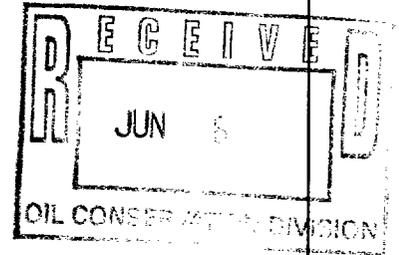


STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION



IN THE MATTER OF THE HEARING )  
CALLED BY THE OIL CONSERVATION )  
DIVISION FOR THE PURPOSE OF )  
CONSIDERING: )  
 )  
APPLICATION OF MARBOB ENERGY )  
CORPORATION )  
 )

CASE NO. 11,307

**ORIGINAL**

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

June 15th, 1995

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on Thursday, June 15th, 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.

\* \* \*

## I N D E X

June 15th, 1995  
 Examiner Hearing  
 CASE NO. 11,307

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APPEARANCES	3
APPLICANT'S WITNESSES:	
<u>MICHAEL G. HANAGAN</u> (Geologist)	
Direct Examination by Mr. Carr	5
Examination by Examiner Catanach	10
REPORTER'S CERTIFICATE	12

\* \* \*

## E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1/A	6	9
Exhibit 2	7	9
Exhibit 3/B	7	9
Exhibit 4/C	8	9

\* \* \*

## 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  
2040 South Pacheco  
Santa Fe, New Mexico 87505

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 9:36 a.m.:

3  
4  
5  
6  
7                   EXAMINER CATANACH: At this time we'll call the  
8 hearing back to order and call Case 11,307.

9                   MR. CARROLL: Application of Marbob Energy  
10 Corporation for directional drilling and an unorthodox  
11 bottomhole oil well location, Chaves County, New Mexico.

12                   EXAMINER CATANACH: Are there appearances in this  
13 case?

14                   MR. CARR: May it please the Examiner, my name is  
15 William F. Carr with the Santa Fe law firm Campbell, Carr  
16 and Berge. We represent Marbob Energy Corporation in this  
17 case.

18                   I have one witness, Michael G. Hanagan. Mr.  
19 Hanagan was the witness in the previous case. He was sworn  
20 at that time, and his qualifications as a petroleum  
21 geologist accepted.

22                   We would ask that the record reflect Mr. Hanagan  
23 remains under oath and that he is qualified to testify as a  
24 petroleum geologist in this matter.

25                   EXAMINER CATANACH: Okay.



1           A.    Well, we're actually seeking approval to enter  
2 the Marathon 2 --

3           Q.    All right.

4           A.    -- and go -- that bottomhole location was  
5 previously called the White Fang Federal.

6           Q.    But it is the same location?

7           A.    Yes, sir.

8           Q.    And this is in the South Lone Wolf-Devonian Pool?

9           A.    Yes, sir.

10          Q.    What are the well-location requirements for the  
11 pool?

12          A.    Statewide rules, 40-acre units, 330 setbacks.

13          Q.    Let's go to what has been marked as our first  
14 exhibit, on the front Exhibit A, on the back as Exhibit 1.  
15 Can you go to this exhibit and review it for Mr. Catanach,  
16 please?

17          A.    Yes, sir, this is a leasehold map showing the  
18 wells within a mile. This is only Section 33, is what this  
19 map shows. It shows lease ownership. There's two federal  
20 leases in this tract.

21                These are two leases that were also involved in  
22 that last hearing.

23                Got common working ownership, common royalty  
24 ownership and different overriding royalty ownership,  
25 although there's no effect on the overriding royalty owners

1 on this location.

2 Q. In this case, all that's shaded in green has  
3 common royalty and override; is that correct?

4 A. Yes, sir.

5 Q. So you're actually only encroaching on property  
6 that has identical ownership --

7 A. Yes, sir.

8 Q. -- to the tract to be dedicated to the well?

9 A. Yes, sir.

10 Q. Let's go to Exhibit Number 2. Could you identify  
11 that, please?

12 A. Okay, Exhibit Number 2 is an affidavit that was  
13 sent out to Marathon Oil and to the BLM.

14 Q. What is Marathon's interest in this prospect?

15 A. Marathon is a working interest owner.

16 Q. And BLM is the owner of the base royalty?

17 A. Yes, sir.

18 Q. Let's go now to Exhibit B or Exhibit Number 3.  
19 Can you identify and review that, please?

20 A. Yes, this is a structure map on the top of the  
21 Siluro-Devonian. It's the same map that was exhibited --  
22 was submitted for the previous hearing on the bottomhole  
23 location.

24 Q. And basically, what does this show?

25 A. It shows the position of the Marathon Federal

1 Number 2 well, which is the well that we want to kick from,  
2 being in a slightly downthrown location, fault-separated  
3 from the proposed bottomhole location, which is about 300  
4 feet northwest from the Marathon Number 2.

5 Q. By drilling as you propose, are you going to be  
6 able to maximize your structural position in the Devonian  
7 structure you're attempting to produce?

8 A. Yes, sir, we believe this is the optimum  
9 location.

10 Q. Do you believe that one well can effectively  
11 drain this small Devonian feature?

12 A. Yes, sir, we do.

13 Q. Let's go to what has been marked Exhibit C or  
14 Exhibit Number 4.

15 Would you identify and review that for Mr.  
16 Catanach, please?

17 A. This is a schematic of what we plan to do with  
18 the directional drilling.

19 There's pipe already set in the Marathon Federal  
20 Number 2. We'll cut a window, kick out, build at 17  
21 degrees over about 300 feet and then hold to the bottomhole  
22 location.

23 Q. And as in the previous case, will you be able to  
24 effect substantial cost savings by directionally drilling  
25 the proposed to try to complete a straight hole at this

1 location?

2 A. Yeah, this case is even more significant cost  
3 savings would be realized, since we already have casing set  
4 to the kickoff point, so we're talking \$200,000 to \$300,000  
5 of cost savings here.

6 Q. Will the directional survey on the well be  
7 provided to the Oil Conservation Division?

8 A. Yes, sir, it will.

9 Q. And how soon does Marbob hope to commence this  
10 project?

11 A. It would also be in the next two months,  
12 definitely before September 1st.

13 Q. In your opinion, will the approval of this  
14 Application be in the best interest of conservation, the  
15 prevention of waste and the protection of correlative  
16 rights?

17 A. Yes, sir.

18 Q. Were Exhibits 1 through 4 prepared by you or  
19 compiled under your direction?

20 A. Yes, they were.

21 MR. CARR: At this time, Mr. Catanach, we move  
22 admission into evidence of Marbob Energy Corporation  
23 Exhibits 1 through 4.

24 EXAMINER CATANACH: Exhibits 1 through 4 will be  
25 admitted as evidence.

1 MR. CARR: And that concludes my examination of  
2 Mr. Hanagan.

3 EXAMINATION

4 BY EXAMINER CATANACH:

5 Q. Mr. Hanagan, was the Marathon Number 2 drilled as  
6 a Devonian test?

7 A. Yes, sir, it was.

8 Q. And it was nonproductive?

9 A. It was productive. It made about 18,000 barrels.  
10 It was T-and-A'd [sic] last summer. Last July, I believe,  
11 is when we T-and-A'd [sic] it.

12 Q. Is it your opinion that there's a fault  
13 separating what the produced interval in that well is now  
14 and what you propose it to be in the deviated wellbore?

15 A. Yes, sir, a fault of around 60 to 80 feet,  
16 possibly slightly more.

17 Q. Has that fault effectively isolated production  
18 from that well?

19 A. Yes, sir. There may be leakage from the bottom  
20 of it, as evidenced in the 18,000 barrels that was  
21 recovered from the Marathon 2. There may be some  
22 communication between them.

23 Q. Is this a fairly small structure, Mr. Hanagan?

24 A. Yes, sir. Once again, it's around 40 acres of  
25 productive area.



## 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.

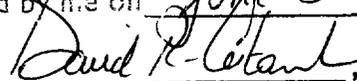
WITNESS MY HAND AND SEAL, June 18th, 1995.



STEVEN T. BRENNER  
 CCR No. 7

My commission expires: October 14, 1998

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 11307 heard by me on June 15, 1995.

  
 David R. Citant, Examiner  
 Oil Conservation Division

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

CASE NO. 11307  
Order No. R-10401-A

APPLICATION OF MARBOB ENERGY  
CORPORATION FOR DIRECTIONAL  
DRILLING AND AN UNORTHODOX  
BOTTOMHOLE OIL WELL LOCATION,  
CHAVES COUNTY, NEW MEXICO.

NUNC PRO TUNC ORDER

BY THE DIVISION:

It appearing to the Division that Order No. R-10401 dated June 22, 1995, does not correctly state the intended order of the Division,

IT IS THEREFORE ORDERED THAT:

(1) Finding Paragraph No. (18) on page 3 of said Division Order No. R-10401 be and the same is hereby amended to read in its entirety as follows:

"(18) The applicant should notify the supervisor of the Division's Artesia district office of the date and time of the conductance of any directional survey on the subject well in order that the same may be witnessed. In addition, subsequent to the conductance of such directional surveys, copies of these surveys should be furnished to the Santa Fe and Artesia offices of the Division."

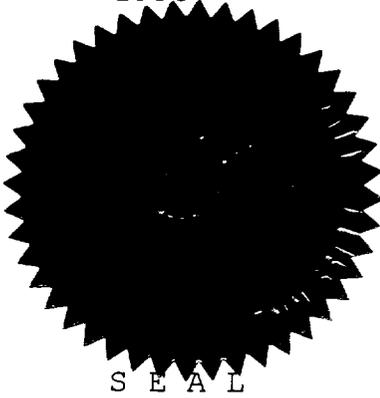
(2) Decretory Paragraph No. (4) on page 4 of said Division Order No. R-10401 be and the same is hereby amended to read in its entirety as follows:

"(4) The applicant shall notify the supervisor of the Division's Artesia office of the date and time of the conductance of any directional survey on the subject well in order that the same may be witnessed. In addition, subsequent to the conductance of such directional surveys, copies of these surveys shall be furnished to the Santa Fe and Artesia offices of the Division."

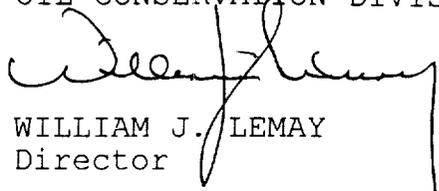
(4) The corrections set forth in this order be entered nunc pro tunc as of June 22, 1995.

Case No. 11307  
Order No. R-10401-A  
-2-

DONE at Santa Fe, New Mexico, on this 26th day of June,  
1995.



STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY  
Director

fd/