

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. 10716

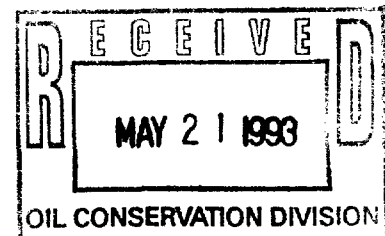
APPLICATION OF MARBOB ENERGY CORPORATION
-----REPORTER'S TRANSCRIPT OF PROCEEDINGSEXAMINER HEARING

BEFORE: Michael E. Stogner, Hearing Examiner

April 22, 1993

Santa Fe, New Mexico

This matter came on for hearing before the
Oil Conservation Division on April 22, 1993, at the
Oil Conservation Division Conference Room, State Land
Office Building, 310 Old Santa Fe Trail, Santa Fe, New
Mexico, before Deborah O'Bine, RPR, Certified Court
Reporter No. 63, for the State of New Mexico.

ORIGINAL

CUMBRE COURT REPORTING

P.O. BOX 9262

SANTA FE, NEW MEXICO 87504-9262

(505) 984-2244

I N D E X

April 22, 1993
Examiner Hearing
CASE NO. 10716

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JOHN R. GRAY

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A P P E A R A N C E S

FOR THE DIVISION: ROBERT G. STOVALL, ESQ.
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Oil Conservation Commission
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Santa Fe, New Mexico 87501

FOR THE APPLICANT: CAMPBELL, CARR, BERGE &
SHERIDAN, P.A.
P.O. Box 2208
Santa Fe, New Mexico 87504
BY: WILLIAM F. CARR, ESQ.

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1 EXAMINER STOGNER: This hearing will come
2 to order. Call next case No. 10716.

3 MR. STOVALL: Application of Marbob Energy
4 Corporation for an unorthodox oil well location,
5 Chaves 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 Santa Fe law firm,
9 Campbell, Carr, Berge & Sheridan. We represent Marbob
10 Energy Corporation, and I have one witness.

11 EXAMINER STOGNER: Are there any other
12 appearances? Will the witness please stand to be
13 worn?

14 (Witness sworn.)

15 EXAMINER STOGNER: Mr. Carr?

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

19 EXAMINATION

20 BY MR. CARR:

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

23 A. John R. Gray.

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

25 A. In Artesia, New Mexico.

1 Q. By whom are you employed?

2 A. I'm the owner of Marbob Energy Corporation.

3 Q. Have you previously testified before this
4 Division?

5 A. Yes, I have.

6 Q. At the time of that testimony, were you
7 qualified as a practical oil man?

8 A. Yes.

9 Q. Are you familiar with the application filed
10 in this case on behalf of Marbob Energy Corporation?

11 A. I am.

12 Q. Are you the owner of the well that is the
13 subject of this hearing?

14 A. Yes.

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

17 EXAMINER STOGNER: I've got one question.
18 Where did the name "Marbob" come from?

19 THE WITNESS: It came originally from my
20 wife and Mark's wife, Marilyn and Bobby.

21 EXAMINER STOGNER: So qualified.

22 MR. CARR: You've established that he
23 really does know something about the company?

24 THE WITNESS: And let me clarify. That is
25 my ex-wife. So I may have to change the name of it.

1 It may be Mar-Gare.

2 Q. Mr. Gray, would you briefly state what you
3 seek with this application?

4 A. We are seeking approval to reenter this
5 hole. It's on our acreage. We originally farmed this
6 well out, Mark Clark drilled it and never got approval
7 to drill it, and we're seeking approval for the
8 unorthodox location to reenter the well and see if we
9 can make a producer out of it.

10 Q. You farmed this acreage out to Mark Clark?

11 A. We actually farmed it out to Hightower in
12 Midland, and he made a deal with Mark Clark, and then
13 Mark Clark drilled the well.

14 Q. And the well is at what footage location?

15 A. It's 1,310 foot from the east, 990 from the
16 south.

17 Q. Into what formation was the well drilled?

18 A. The Devonian.

19 Q. And it was drilled at an unorthodox
20 location?

21 A. Right.

22 Q. And the well was never completed as a
23 successful well in the Devonian?

24 A. No.

25 Q. You then acquired the property back?

1 A. Well, the property came back to us.

2 Q. When did you discover that no application
3 had been made by Mr. Clark for approval of this
4 unorthodox well location?

5 A. I was aware of it when he drilled it. We
6 gave him our approval. If he drilled it, why, we
7 wouldn't protest him if he came before the Commission.

8 Q. Then was it after the acreage came back to
9 you that you discovered he had never come to the
10 Commission?

11 A. Yes.

12 Q. You are proposing to recomplete in the
13 Devonian?

14 A. Yes.

15 Q. And what formation was it originally
16 drilled to and tested in?

17 A. Devonian.

18 Q. What kind of a well did they make when they
19 drilled it?

20 A. Well, they didn't complete it. They had a
21 fairly decent DST. Bottom hole pressures were good.
22 They had about 600 feet of free oil and about 800 foot
23 of water, Devonian water. They primarily didn't
24 complete the well because they didn't have a disposal
25 system; they didn't have anyplace to go with the

1 water. And at that time I wasn't in a position to
2 handle the water for them. And we had told Hightower
3 we would not handle the water when we farmed the well
4 out to them.

5 Q. Did Clark plug and abandon the well?

6 A. Clark plugged and abandoned the well at
7 that time.

8 Q. Could you identify for Mr. Stogner what has
9 been marked as Marbob Exhibit A?

10 A. Exhibit A is a plat that Mark Clark filed
11 with the Commissioner of Public -- for the application
12 to drill the well.

13 Q. Does this show the exact survey footage
14 location for the wellbore?

15 A. Yes, it does.

16 Q. Attached to that is a copy of OCD Form
17 C-101?

18 A. Right.

19 Q. And this is a form that you have filed
20 seeking authority to reenter and again attempt a
21 completion in the Devonian?

22 A. Right.

23 Q. Let's go to Exhibit B. Could you identify
24 that, please.

25 A. It's just a map and a plat of where the

1 well sits. All the acreage in the orange belongs to
2 Marbob. The offset operator's to the east over here.
3 The red circle is where the well is located up in that
4 corner right up against the line.

5 Q. And the red box in the center is the 40-
6 acre tract dedicated to the well?

7 A. Right.

8 Q. In fact, what you're doing is encroaching
9 only on acreage which Marbob in fact operates?

10 A. Right.

11 Q. Attached to Exhibit B is a list. Could you
12 identify that for the examiner, please.

13 A. This is a list of the offset operators that
14 we have notified.

15 Q. Is the well located on state fee or federal
16 land?

17 A. State.

18 Q. Let's go now to Exhibit C. Would you
19 identify and review that for Mr. Stogner?

20 A. This is an exhibit of dry holes all around
21 this Devonian that have been drilled to the Devonian.
22 You'll note the No. 9 well here, which we're changing
23 the name of it to State CF No. 9.

24 Q. North of that you have, there are producing
25 wells in the Devonian?

1 A. Right. We drilled the No. 7 well last year
2 to the Devonian. The No. 4 well is still producing.
3 The No. 5 well up here that you see is our disposing
4 well we're disposing in the Fusselman.

5 Q. And the water from the No. 9 well will be
6 also disposed in the Fusselman in the No. 5?

7 A. Right.

8 Q. Has notice of today's application been
9 provided to all offsetting operators?

10 A. Yes, it has.

11 Q. And are copies of the letters providing
12 notice of today's hearing attached marked Marbob
13 Exhibit D?

14 A. Right.

15 Q. At the time you provided this notice, did
16 you also request that the offsetting owners waive
17 objection to the location?

18 A. Yes, we did.

19 Q. How many of the offset operators have
20 waived objection?

21 A. I think we've got everything back except
22 the BLM and the Fina, I believe it is.

23 Q. Are those the last two letters in Exhibit
24 D?

25 A. Yes.

1 Q. And you have attached to those letters
2 copies of the receipts showing that in fact these
3 letters were mailed by certified mail to both Fina and
4 the Bureau of Land Management?

5 A. Yes.

6 Q. You have reviewed this proposal with the
7 Commissioner of Public Lands?

8 A. We got an approval back from them.

9 Q. And there's a letter executed by Floyd
10 Prando waiving objection for the Commission of Public
11 Lands?

12 A. Yes.

13 Q. Mr. Gray, in your opinion, if this
14 application is approved and you're able to reenter and
15 recomplete this well in the Devonian, will
16 hydrocarbons be recovered that otherwise will be left
17 in the ground?

18 A. Yes, they will.

19 Q. In your opinion, will approval of this
20 application be in the best interest of conservation,
21 the prevention of waste, and the protection of
22 correlative rights?

23 A. Yes.

24 Q. Were Exhibits A through D either prepared
25 by you or compiled at your direction?

1 A. Compiled at my direction.

2 MR. CARR: At this time, Mr. Stogner, we
3 move the admission of Marbob Exhibits A through D.

4 EXAMINER STOGNER: Exhibits A through D
5 will be admitted into evidence.

6 MR. CARR: That concludes my direct
7 examination of Mr. Gray.

8 EXAMINATION

9 BY EXAMINER STOGNER:

10 Q. Mr. Gray, looking at Section 13, is that
11 all one lease, is the southeast quarter all one lease,
12 or what's Marbob's lease holding out there for these
13 wells?

14 A. We're holding -- I don't know whether I've
15 got it all along here just exactly or not.

16 Q. I'm more interested in just Section 13.

17 A. All right. We're holding the north-
18 northwest quarter of this section also, the southwest
19 quarter of it, and a portion of the northwest quarter,
20 but I'm not just exactly certain how much of that
21 northwest quarter we do have.

22 MR. CARR: Do you have an interest in the
23 northeast quarter?

24 THE WITNESS: Yes. We own the whole
25 northeast quarter.

1 MR. CARR: A portion of the northwest.

2 THE WITNESS: And the whole southwest, the
3 whole south half. Now we own this acreage down in the
4 federal, where the orange line is coming on down, we
5 own that acreage also.

6 Q. (BY EXAMINER STOGNER) Now looking at just
7 the southeast quarter of 13, is that all one lease of
8 common ownership?

9 A. Yes.

10 Q. So essentially you're moving toward your
11 own lease?

12 A. Right.

13 Q. As did Mr. Mark Clark since he operated
14 that southeast quarter or owned the southeast quarter
15 when the well was drilled?

16 A. Yes. When he drilled that well, why, we
17 gave him permission to crowd our line when we farmed
18 out to him.

19 Q. By approval of this location, we would be
20 alleviating a necessity of drilling a whole new well;
21 is that correct?

22 A. Yes. I wouldn't even attempt to drill a
23 new well on it. Of course, probably all I'm going to
24 do is produce it for a few days and plug it anyway.
25 It's probably going to water right out.

1 No, it really is, it's -- the well is way
2 low. And I'm afraid what he done when he had it DST'd
3 there, he had a good fracture in the Devonian there
4 that had a good bed of oil in it, come in, and I'm
5 going to jump down there and hit it for just a little
6 bit, and I'm going to empty that fracture, and then
7 I'm going to have the ocean. That's what's going to
8 take place.

9 EXAMINER STOGNER: Any other questions of
10 Mr. Gray?

11 MR. CARR: No further questions.

12 EXAMINER STOGNER: He may be excused.

13 Mr. Carr, do you have anything further.

14 MR. CARR: I have nothing further in this
15 case, Mr. Stogner.

16 EXAMINER STOGNER: In that case, No. 10716
17 will be taken under advisement.

18 THE WITNESS: Thank you, gentlemen.

19
20 I do hereby certify that the foregoing is
21 a complete record of the proceedings in
22 the Examiner hearing of Case No. 10716,
heard by me on 22 April 1993.

23 [Signature], Examiner
24 Oil Conservation Division
25

1 CERTIFICATE OF REPORTER

2
3 STATE OF NEW MEXICO)

4) ss.

5 COUNTY OF SANTA FE)

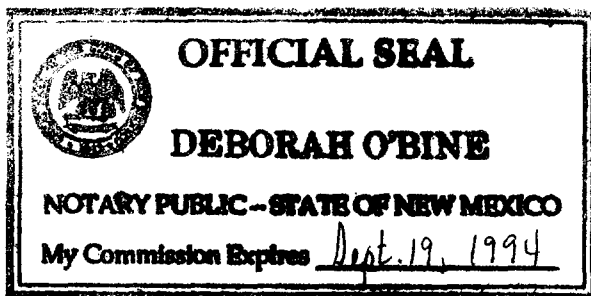
6 I, Deborah O'Bine, Certified Shorthand
7 Reporter and Notary Public, HEREBY CERTIFY that I
8 caused my notes to be transcribed under my personal
9 supervision, and that the foregoing transcript is a
10 true and accurate record of the proceedings of said
11 hearing.

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

16 WITNESS MY HAND AND SEAL, May 5, 1993.

17 *Deborah O'Bine*
18

19 DEBORAH O'BINE
20 CCR No. 63



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