

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 SANTA FE ENERGY)
OPERATING PARTNERS, L.P.)

CASE NO. 11,112

ORIGINAL

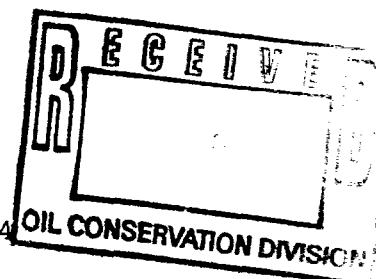
REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: JIM MORROW, Hearing Examiner

October 13th, 1994

Santa Fe, New Mexico



This matter came on for hearing before the Oil Conservation Division on Thursday, October 13th, 1994, at Morgan Hall, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico, before Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

STEVEN T. BRENNER, CCR
(505) 989-9317

I N D E X

October 13th, 1994
 Examiner Hearing
 CASE NO. 11,112

	PAGE
APPEARANCES	3
APPLICANT'S WITNESSES:	
<u>GARY GREEN</u>	
Direct Examination by Mr. Bruce	5
Examination by Examiner Morrow	8
<u>GENE DAVIS</u>	
Direct Examination by Mr. Bruce	9
Examination by Mr. Kellahin	16
Examination by Mr. Carr	21
Examination by Mr. Stogner	25
Examination by Examiner Morrow	25
REPORTER'S CERTIFICATE	32

* * *

E X H I B I T S

	Identified	Admitted
Exhibit 1	6	8
Exhibit 2	7	8
Exhibit 3	10	16
Exhibit 4	10	16
Exhibit 5	13	16
Exhibit 6	15	16

* * *

A P P E A R A N C E S

FOR THE DIVISION:

MICHAEL E. STOGNER
Engineer, New Mexico Oil Conservation Division
State Land Office Building
Santa Fe, New Mexico 87504

FOR THE APPLICANT:

HINKLE, COX, EATON, COFFIELD & HENSLEY
218 Montezuma
P.O. Box 2068
Santa Fe, New Mexico 87504-2068
By: JAMES G. BRUCE

FOR MARATHON OIL COMPANY:

KELLAHIN & KELLAHIN
117 N. Guadalupe
P.O. Box 2265
Santa Fe, New Mexico 87504-2265
By: W. THOMAS KELLAHIN

FOR YATES PETROLEUM CORPORATION:

CAMPBELL, CARR, BERGE & SHERIDAN, 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 8:37 a.m.:

3 EXAMINER MORROW: At this time we'll call Case
4 11,112.

5 Call for appearances.

6 MR. BRUCE: Mr. Examiner, Jim Bruce from the
7 Hinkle law firm in Santa Fe, representing Santa Fe Energy
8 Operating Partners, L.P.

9 I have two witnesses to be sworn.

10 EXAMINER MORROW: Other appearances?

11 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of
12 the Santa Fe law firm of Kellahin and Kellahin, appearing
13 on behalf of Marathon Oil Company, and I potentially have
14 one witness.

15 MR. CARR: May it please the Examiner, my name is
16 William F. Carr with the Santa Fe law firm Campbell, Carr,
17 Berge and Sheridan.

18 I would like to enter an appearance in this case
19 for Yates Petroleum Corporation. At this time I do not
20 intend to call a witness.

21 MR. STOGNER: Mr. Examiner, Michael Stogner,
22 engineer, Oil Conservation Division in Santa Fe.

23 Since this case is somewhat in conjunction with
24 the nomenclature case, 11,121, I just want to enter an
25 appearance at this time.

1 EXAMINER MORROW: Okay, sir.

2 Will the witnesses please stand and be sworn?

3 (Thereupon, the witnesses were sworn.)

4 GARY GREEN,

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

7 DIRECT EXAMINATION

8 BY MR. BRUCE:

9 Q. Would you please state your name for the record?

10 A. My name is Gary Green.

11 Q. Who do you work for and in what capacity?

12 A. Santa Fe Energy --

13 Q. And what --

14 A. -- as a landman.

15 Q. Have you previously testified before the Division
16 as a landman?

17 A. Yes, I have.

18 Q. And were your credentials as an expert landman
19 accepted as a matter of record?

20 A. Yes, they were.

21 Q. And are you familiar with the land matters
22 involved in this Application?

23 A. Yes, I am.

24 MR. BRUCE: Mr. Examiner, I tender Mr. Green as
25 an expert landman.

1 EXAMINER MORROW: Accept Mr. Green's
2 qualifications.

3 Q. (By Mr. Bruce) Briefly, Mr. Green, what is it
4 that Santa Fe seeks in this case?

5 A. Santa Fe seeks to contract the Indian Basin-Upper
6 Pennsylvanian Gas pool by deleting from that pool Section
7 14 in Township 21 South, Range 23 East, in Eddy County, and
8 adding that acreage to the South Dagger Draw-Upper Penn
9 Associated Pool.

10 The acreage was once productive in the gas pool.
11 However, recent completions in the area have been oil wells
12 in the intervals productive in the associated pool.

13 Q. As a result, does Santa Fe believe that
14 additional wells should be governed by the associated pool
15 -- special pool rules?

16 A. Yes, the transfer of acreage to the associated
17 pool will simplify approvals for wells planned in the area
18 by Santa Fe.

19 Q. What is Exhibit 1, Mr. Green?

20 A. Exhibit 1 is a land plat of the area which shows
21 the -- in hachured -- around the hachured Section 14 is the
22 acreage that Santa Fe seeks to add to the associated pool.

23 The other acreage that's colored in yellow
24 basically is Santa Fe acreage.

25 Q. Okay. What interest does Santa Fe own in Section

1 14?

2 A. Santa Fe owns a hundred percent working interest.

3 Q. How many wells has Santa Fe drilled or recompleted
4 to date on Section 14?

5 A. Santa Fe has recompleted one well in the
6 northwest quarter of Section 14.

7 Q. And will Mr. Davis talk about that well a little
8 bit further?

9 A. Yes, he will.

10 Q. How many additional wells does Santa Fe have
11 planned for its acreage?

12 A. Santa Fe plans three additional wells in Section
13 14.

14 Q. Was notice of this Application given to the
15 offset operators in the pool?

16 A. Yes, it was.

17 Q. And is Exhibit 2 your affidavit of notice with
18 the notice letters and the certified return receipts?

19 A. Yes, it is.

20 Q. Were Exhibits 1 and 2 prepared by you or under
21 your direction?

22 A. Yes, they were.

23 Q. And in your opinion, is the granting of this
24 Application in the interests of conservation and the
25 prevention of waste?

1 A. Yes, it is.

2 MR. BRUCE: Mr. Examiner, I move the admission of
3 Santa Fe's Exhibits 1 and 2.

4 EXAMINER MORROW: 1 and 2 are admitted.

5 MR. BRUCE: I have no further questions of this
6 witness.

7 EXAMINER MORROW: Any questions, Mr. Carr or Mr.
8 Kellahin?

9 MR. CARR: No questions, Mr. Examiner.

10 EXAMINER MORROW: Tom, do you have any questions?

11 MR. KELLAHIN: No, sir, thank you.

12 EXAMINATION

13 BY EXAMINER MORROW:

14 Q. What's the situation on Section 13?

15 A. Section 13 is -- Basically, that is one federal
16 lease, Section 13 and 14. Section 13 is not assigned to a
17 pool, currently is unassigned to a pool.

18 Q. Was that part of our request, nomenclature
19 request today, or do you know?

20 A. I do not know.

21 MR. BRUCE: No, it is not.

22 EXAMINER MORROW: No, okay.

23 Mike, did you have any questions?

24 MR. STOGNER: Not at this time, Mr. Examiner.

25 Thank you.

1 EXAMINER MORROW: Okay. Thank you, sir.

2 MR. BRUCE: Call Mr. Davis to the stand.

3 GENE DAVIS,

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

6 DIRECT EXAMINATION

7 BY MR. BRUCE:

8 Q. Would you please state your name and city of
9 residence?

10 A. My name is Gene Davis, and I live in Midland,
11 Texas.

12 Q. Who do you work for?

13 A. I work for Santa Fe Energy resources.

14 Q. And in what capacity?

15 A. I'm a geologist, G and G manager.

16 Q. Have you previously testified before the Division
17 as a geologist?

18 A. Yes, I have.

19 Q. And were your credentials accepted as a matter of
20 record?

21 A. Yes, they were.

22 Q. And are you familiar with the geology involved in
23 this Application?

24 A. Yes, I am.

25 MR. BRUCE: Mr. Examiner, I tender Mr. Davis as

1 an expert petroleum geologist.

2 EXAMINER MORROW: We accept Mr. Davis's
3 qualifications.

4 THE WITNESS: Thank you.

5 Q. (By Mr. Bruce) Mr. Davis, first Exhibit 3, would
6 you identify that and explain what the colors are for the
7 Examiner?

8 A. Exhibit 3 is a land plat of Township 21 South,
9 Range 23 East, in Eddy County, New Mexico.

10 The acreage that is shown is highlighted. The
11 acreage within the yellow is within the Indian Basin-Upper
12 Penn Gas Pool.

13 The acreage that is shown to be surrounded by
14 orange is acreage that I believe the NMOCD is going to
15 place in the South Dagger Draw-Associated Upper
16 Pennsylvanian Oil Pool.

17 And the acreage that is cross-hatched, being
18 Section 14, is the acreage we'd like to have transferred
19 from the Indian Basin Gas Pool to the associated pool, the
20 Dagger Pool, South Dagger Draw, that is.

21 Q. Okay. Would you please move on to your Exhibit 4
22 and discuss the reservoir in this area?

23 A. Okay, Exhibit 4 is an isopach map of the Gross
24 Cisco/Canyon Dolomite in the -- what I believe is the South
25 Dagger Draw Upper Pennsylvania Associated Pool reservoir.

1 The map extends from the southern portion of
2 Township 20 South, Range 23 East, down into Township 21
3 South and Range 23 East. Again, it's an isopach of that
4 Upper Pennsylvanian Associated Pool.

5 The outline of the North Indian Basin Unit, which
6 is within the -- at one time it was within the gas pool, or
7 acreage -- some of the acreage was in the gas pool -- is
8 shown in green.

9 Santa Fe's acreage that we have in the area is
10 shown in yellow.

11 There are a number of oil and gas wells shown on
12 the map. Those oil wells that have a triangle around them
13 are oil wells that are within the South Dagger Draw-Upper
14 Pennsylvanian Associated Pool or will soon be moved into
15 that pool. At least that's my understanding.

16 The ones shown with squares around them are gas
17 or oil wells that are currently within the Indian Basin-
18 Upper Pennsylvanian Gas Pool.

19 The proposed location we are going to drill in
20 Section 14 is shown with a red box. It's the Number 2 Well
21 in Section 14.

22 Q. Also, referring back to Exhibit 1, Mr. Davis, are
23 the oil wells in this pool marked in orange on that
24 exhibit?

25 A. If you look back at Exhibit Number 1, which Mr.

1 Green tendered, you will see that there are four or five --
2 Excuse me, six wells that are highlighted in orange. Those
3 wells are the wells that currently should be going into the
4 South Dagger Draw Associated Pool that are within Township
5 21 South, Range 23 East.

6 EXAMINER MORROW: Now, which wells are you
7 talking about there?

8 THE WITNESS: If you look on Exhibit Number 1,
9 there are two wells in Section 1 that are highlighted in
10 orange, the Number 1 and Number 3 Marathon MOC Federal
11 wells. In Section 2 it's the Number 13 North Indian Basin
12 Unit well. In Number 12 it would be the Number 1 Bone
13 Flats Federal Number 12 well, which is in the northwest
14 quarter.

15 And then there are two wells in Section 11: The
16 Number 7 North Indian Basin well, which was a gas well that
17 has been recompleted into the lower portion -- into the oil
18 pool, and then finally in Section 14 the Santa Fe well, the
19 Number 1 Roaring Springs Federal well.

20 EXAMINER MORROW: Let's see, I just have one well
21 in Section 11 there. Excuse me for the interruption here.

22 THE WITNESS: No, that's fine, I'm sorry.

23 EXAMINER MORROW: Is that --

24 THE WITNESS: Yeah, it should be one well in
25 Section 11, the one down in the southwest quarter.

1 EXAMINER MORROW: Go ahead.

2 Q. (By Mr. Bruce) Mr. Davis, would you refer to
3 your cross-section, Exhibit 5, and discuss why Section 14
4 should be put into the associated pool?

5 A. Mr. Examiner, the line of cross-section is shown
6 very well on the isopach map that you have also. You can
7 see it running from north to south across Sections 12, 11
8 and 14, within 23 South [sic], 23 East, north being located
9 on your left, south being located on your right. It's a
10 three-well cross-section which includes our proposed well
11 in Section 14.

12 And what we have depicted on here, this is a
13 structural cross-section which is hung on a datum of minus
14 3550. There's another horizontal line on here, a datum
15 line, minus 3754. Through my review of the DSTs and
16 production data in this general area, it is my observation
17 that this structural datum represents more or less the
18 boundary between the Indian Basin-Upper Penn Gas Pool and
19 the Upper Pennsylvanian Associated Oil Pool which lies
20 beneath this field.

21 That is depicted on your cross-section by the
22 Indian Basin-Upper Penn Gas Pool being colored red, and the
23 oil and gas pool, the South Dagger Draw-Upper Penn
24 Associated Pool in this case, being colored green.

25 You can see that there were two wells here. The

1 North Indian Basin Unit Number 7 well, which is the second
2 well from your left, this well was drilled by Marathon, the
3 original completion, 1967. It was completed from the upper
4 perforations that are within the red interval, at 7455 to
5 7508. It was originally a gas well, produced a significant
6 amount of gas.

7 This well has since been recompleted out of
8 perforations at 7781 to 7827, it was in the last year. It
9 now has an IP of 224 barrels of oil, 203 MCF of gas and 177
10 barrels of water.

11 The production from the gas pool did also produce
12 some condensate. That condensate had a gravity of about 60
13 to 62 degrees. The oil that is produced out of the lower
14 portion in the now-existing perms have a gravity of 42
15 degrees.

16 Santa Fe re-entered the Bill Fenn well, which is
17 the well on the far south end of the cross-section, on your
18 far right, in Section 14. This is a well that Bill Fenn
19 drilled in 1989, attempting to complete in the Indian
20 Basin-Upper Penn Gas Pool. He was unsuccessful, and this
21 well has since been taken over by Santa Fe.

22 We have re-entered the wellbore and perforated
23 the lower perforations from 7762 down to 7852 and also from
24 7560 to 7718. This interval flowed at a million -- Let's
25 see, at 1.6 MCF of gas, 182 barrels of oil, and 1000

1 barrels of water per day, and the oil produced was again
2 42-degree gravity.

3 To the north, the final well in the cross-section
4 is the Marathon Bone Flats Federal 12 Number 1 well. That
5 well, as you can see, does not -- it has a very, very small
6 sliver of the Indian Basin-Upper Penn Gas Pool penetrated
7 by the well.

8 The perf- -- existing perforations -- This well
9 was drilled in 1994, in July of this year. The
10 perforations from that well are down well within the lower
11 portion of the Upper Penn Associated Pool.

12 Again, this is a well that is producing 42-degree
13 gravity. I don't have an IP on it yet. It may have been
14 potentialized, but I don't have any data on that.

15 Q. Because of this data, then, you would request
16 that Section 14 be moved to the South Dagger Draw Pool?

17 A. Yes, I would. I believe that there's a
18 substantial associated oil pool here that lies beneath the
19 existing Indian Basin-Upper Penn Gas Pool, and I believe
20 that the rules for that associated pool best govern the
21 development of the wells in Section 14 at this point.

22 Q. One final Exhibit, Mr. Davis, Exhibit 6. What is
23 that?

24 A. Exhibit 6 is a sundry notice and a report on
25 wells that was submitted to the Bureau of Land Management

1 and the Oil Conservation Division regarding the Santa Fe
2 Operating Partners Roaring Spring Fed Com Number 1 well in
3 Section 14.

4 If you look down to the section 13 within that
5 document, you'll see that it gives you some data on the
6 pump test from the Cisco perfs, from 7560 to 7852. You can
7 see this well was making 160 barrels of oil per day, 1058
8 barrels of water and 1600 MCF of gas.

9 And again, I submit this as evidence that this is
10 an oil well and it is not a gas well.

11 Q. In your opinion, is the granting of this
12 Application in the interests of conservation, the
13 prevention of waste and the protection of correlative
14 rights?

15 A. Yes, sir.

16 Q. And were Exhibits 3 through 6 prepared by you or
17 under your direction?

18 A. Yes, they were.

19 MR. BRUCE: Mr. Examiner, I move the admission of
20 Santa Fe's Exhibits 3 through 6.

21 EXAMINER MORROW: 3 through 6 are admitted.

22 MR. BRUCE: And I pass the witness.

23 EXAMINATION

24 BY MR. KELLAHIN:

25 Q. Mr. Davis, when we look at your Section 14, am I

1 correct in understanding that Santa Fe does not now have
2 any Indian Basin gas wells producing in that section?

3 A. No, we do not.

4 Q. Okay. When we look at the four sections that are
5 involved in the nomenclature case, which is Sections 1, 2,
6 11 and 12, do you know, sir, whether there are any Indian
7 Basin gas wells producing in any of those four sections?

8 A. I don't for a fact, Mr. Kellahin. There may be
9 -- The well Number 2, marked Number 2 in Section 11, may
10 be. I'm not sure.

11 Q. Okay. When I look at your cross-section, you've
12 taken us to a point in Section 12 where you've tied in the
13 Marathon Bone Flats Federal 12-1 well --

14 A. Yes, sir.

15 Q. -- and you have shown geologically the
16 continuation from that well down into Section 14 for your
17 well.

18 A. That is correct.

19 Q. Can you make the geologic connection for us from
20 Section 12 that will take us up into South Dagger Draw?

21 A. Without a cross-section, just by verbally
22 describing it, yeah, I will try --

23 Q. Let me ask you this sir: Have you studied those
24 logs and that information so that you could reach a
25 geologic conclusion concerning that question?

1 A. Yes, sir, I have.

2 Q. All right. And what is the conclusion?

3 A. I have reviewed all of the wells that I have
4 copies and have been able to obtain copies of in Township
5 20 South, Range 23 East, and extending down into 21 South,
6 Range 23 East, and by a number of different cross-sections,
7 and also mapping, it is my observation that this pool, this
8 lower dolomite interval that exists beneath the Indian
9 Basin Gas Pool, extends continuously all the way up into
10 South Dagger Draw.

11 Q. So as we look at the results of your conclusion,
12 when we see your regular Section 36 --

13 A. Yes, sir.

14 Q. -- up in the northern portion of the display --

15 A. Yes, sir.

16 Q. -- that currently is in the South Dagger Draw--
17 Upper Penn Associated Pool, is it not?

18 A. I believe it is, yes.

19 Q. All right. And then as we move into Section 1
20 your geologic conclusion is, that's a continuation of the
21 oil reservoir in South Dagger Draw?

22 A. Yes, I believe it is. And I believe that the map
23 I've given you, the isopach map --

24 Q. Yes, sir.

25 A. -- depicts my representation of what this is,

1 that this is a continuous reservoir that extends up into
2 South Dagger Draw.

3 Q. So if we were to add logs to continue the cross-
4 section that you've presented and pick up control wells
5 that will take us back into South Dagger Draw, that would
6 not change your conclusion?

7 A. No, sir, it would not.

8 Q. Do you have an opinion about Section 2, whether
9 or not Section 2, north of 11, should also be included
10 within the South Dagger Draw Associated Oil Pool?

11 A. I have not been able to obtain a log yet on the
12 well in Section 2 that Marathon has drilled, the Number 13.
13 But just based on the correlation of the logs that I do
14 have that go across that area, I believe that it would show
15 that there is a substantial amount of section that is in a
16 part of the South Dagger Draw Pool; you would be able to
17 make that correlation by looking at the logs and comparing
18 them to the logs on the cross-section that you have in
19 front of you.

20 Q. Do we have information at this point to determine
21 what reasonably foreseeable future changes with regards to
22 these two pools may have to occur?

23 In other words, we have the Indian Basin Gas Pool
24 to the south and west, and over time we have slowly moved
25 South Dagger Draw to the southwest.

1 A. Yes, we have.

2 Q. Do you have any information currently available
3 to tell us what may be the next step in that transition, if
4 you will, or the adjustment of the boundaries of the two
5 pools?

6 A. I don't have any data here to present, but it is
7 my observation from looking at the geology and looking at
8 the current production, is that the gas pool in this area
9 is starting to become filled mostly with water and that
10 those wells are declining and being plugged out from that
11 zone.

12 And I think that many of the wells that are
13 existing, that have basically produced in that zone in the
14 past may be recompleted from the lower portion of the
15 reservoir, actually out of the South Dagger Draw Associated
16 Pool.

17 Q. If the Division approves the change of all five
18 sections to the South Dagger Draw, what does that afford
19 the operators in this area that they do not currently have?

20 A. I think it affords an operator the opportunity to
21 drill a greater number of wells and allow him to produce
22 the South Dagger Draw Associated Pool that I believe is
23 present here in a more orderly manner, in a manner that
24 would allow them the best production possibilities.

25 MR. KELLAHIN: Thank you, Mr. Examiner.

EXAMINATION

1
2 BY MR. CARR:

3 Q. Mr. Davis, if we look at Exhibit Number 5 --

4 A. Yes, Mr. Carr.

5 Q. -- if I understand, what Santa Fe seeks here
6 today is basically, by contracting the Upper Penn Gas Pool
7 and then extending the Upper Penn Associated Pool you're
8 really combining these into one reservoir; is that what
9 you're seeking to do?

10 A. I think that we're actually trying to -- Well, I
11 don't think we're trying to make it one reservoir
12 necessarily, but I think that we're trying to extend that
13 lower pool reservoir down for the orderly development of
14 the pool in the southern reaches of it.

15 Q. When I look at the Upper Penn Gas Pool and then
16 the Upper Penn Associated Pool, in your interpretation, are
17 you talking about one vertically connected reservoir or
18 multiple reservoirs in the area?

19 A. I'm not an engineer, but from my observations of
20 the production in the area, it appears to me that there is
21 separation between the pools, that you do see a segregation
22 in the type of production that you get from the pools.

23 Q. So you're seeing actually separate reservoirs,
24 the area shaded red and that that's shaded green in this
25 exhibit?

1 A. Certainly the type of production from those
2 reservoirs is significantly different.

3 Q. So you --

4 A. I think the pressures are probably somewhat
5 different.

6 Q. So you're not aware of anything where you would
7 hydraulically connect these two particular intervals?

8 A. I'm not aware of that, Mr. Carr.

9 Q. When we look at the green-shaded, the Upper Penn
10 Associated Pool, by definition we're talking about a
11 reservoir that has a gas cap; is that not true?

12 A. It might be possible, yes.

13 Q. Are you seeing any kind of a gas cap formed in
14 the green area, other than what you're showing in red?

15 A. In this area, not that I'm aware of, no.

16 Q. So if by definition an associated pool requires a
17 gas cap, at least in this area, you're not seeing it?

18 A. In this particular area, I'm not seeing it,
19 although maybe the Indian Basin, actual Indian Basin Gas
20 Pool, was the original gas cap of this large, thick pool in
21 the first place.

22 Q. And if that was the case, you don't have an
23 opinion on whether or not they may be vertically connected
24 somewhere in the area?

25 A. I guess pressurewise they may be connected

1 through time. But I think you could produce a well in the
2 actual lower portions of the reservoir and find oil,
3 obviously, and yet find gas and condensate in the upper
4 portions.

5 Q. Do you have any opinion as to whether or not
6 production from the upper portion of the reservoir and the
7 gas production from that portion of the reservoir would
8 have any impact on the production from the lower zone?

9 A. I don't have any data on that, no.

10 Q. And you don't have any data to show whether or
11 not there's pressure depletion that might reduce the
12 reservoir energy for the lower zone?

13 A. I don't have that data, no.

14 Q. We looked at this interpretation -- I think Mr.
15 Kellahin talked about taking this interpretation and
16 extending it to the north.

17 Do you have any idea, if we took this and tried
18 to extend it to the south, whether or not we might see the
19 same sort of picture in terms of the relationship of these
20 reservoirs?

21 A. I know if you go to the south and you start
22 looking at the South Dagger Draw Pool itself, up in
23 Township 20 South, Range 23 East, where Yates has
24 significant production, you will find wells on the -- Let's
25 say that they would be on the western flank of that pool,

1 that produce a tremendous volume of gas and water and small
2 volumes of oil.

3 But to the best of my knowledge, the oil that is
4 produced there is lower-gravity crude, 42-degree gravity
5 crude, it is not condensate.

6 So there may have been -- I'm not an engineer,
7 again, but I would say that there may have been a little
8 bit of a gas cap formed over there because of the variety
9 of the geology present there, because of the way the
10 geology is set up and the way the reservoir is trapped.

11 But I don't -- No, I don't believe that that
12 particular gas pool and that gas cap is directly related to
13 this Indian Basin-Upper Penn Gas Pool.

14 Q. So you wouldn't expect this to be a trend that
15 would just extend to the south, is what I'm asking?

16 A. No, I wouldn't.

17 Q. Let me just be sure I understand. Do you see
18 these as separate reservoirs, or one common pool that's
19 hydraulically connected vertically?

20 A. Again, not being an engineer, I can't say that I
21 have any data that says they are tied together. But I
22 think that they are probably one large pool that has an oil
23 pool and a gas pool.

24 MR. CARR: Thank you.

25 EXAMINER MORROW: Mr. Stogner, do you have any

1 questions?

2 EXAMINATION

3 BY MR. STOGNER:

4 Q. Yes, Mr. Davis. In your proposal today, did you
5 by chance go to our Artesia District Office and request
6 this information be included in the regular nomenclature
7 proceeding?

8 A. I did not go to the office. I did contact a
9 young lady there that does some research for me, and that
10 stuff did not come in the mail. I hope -- Hopefully, we
11 will receive it in the next couple of days.

12 I have been in contact with a geologist at
13 Marathon as well and have been attempting to get some data
14 from them, and in fact they were very helpful in providing
15 me with some of the data that I have here today.

16 Q. So when Santa Fe made this proposal, Santa Fe
17 chose to take the case on its own, as opposed to going to
18 the regular nomenclature proceedings through the geologist
19 in the Artesia office?

20 A. I guess that would be correct.

21 MR. STOGNER: That's all I have, Mr. Morrow.

22 EXAMINER MORROW: Okay, thank you, sir.

23 EXAMINATION

24 BY EXAMINER MORROW:

25 Q. Recently, I believe that Santa Fe came in and had

1 some question and succeeded in contracting the Indian
2 Basin-Upper Penn and adding acreage to the Indian Basin
3 Associated Pool.

4 Where is that acreage in relation to what we're
5 looking at today?

6 A. Mr. Examiner, if I pick up this map and show
7 you --

8 Q. Okay.

9 A. -- it would be a lot easier for me.

10 Take Section 25 here --

11 Q. All right.

12 A. -- and you just work your way to the south here,
13 to Township 22 South, Range 24 East. That is where that
14 acreage is. It's on the south side of the Indian Basin Gas
15 Pool.

16 Q. So it's quite a distance away, several miles?

17 A. Several -- Yeah, it would be distant by about
18 five miles, five to six miles.

19 Q. To the southeast?

20 A. To the south and east, that's correct.

21 Q. Is Section 36, that half a section up there just
22 to the north --

23 A. Yes, sir.

24 Q. -- northernmost part of the Indian Basin, North
25 Indian Basin Unit, is that already in the South Dagger

1 Draw?

2 A. I believe it is, but I don't have direct
3 information on that. I believe it is, though.

4 MR. BRUCE: Mr. Examiner, I think both Sections
5 35 and 36 are in the South Dagger Draw.

6 EXAMINER MORROW: Both in the South Dagger Draw?

7 Q. (By Examiner Morrow) I believe you probably
8 answered this question, but let me ask it again.

9 Are there any gas wells on any of the four
10 sections that the OCD has got in the nomenclature hearing
11 today are in your Section 14? Are there any gas wells
12 currently completed in any of those sections?

13 A. The only one that I think could be potentially
14 completed in this is in Section 11, the Number 2 well,
15 which is in the northeast quarter. Marathon operates that
16 well; they may have a better answer for you than I. But I
17 believe that that well may still be producing from the
18 Indian Basin Gas Pool.

19 Q. The 1.6-million-a-day well is the Roaring Springs
20 Federal Com Number 1; is that correct?

21 A. Yes. That well was potentialized for that. The
22 current production in that well is in the range of 80 to
23 100 barrels of oil per day, 700 to 800 MCF of gas per day,
24 and between 100 and 150 barrels of water.

25 Q. Is all that listed on your cross-section?

1 A. No, but I'd be glad to annotate your cross-
2 section.

3 Q. Or maybe it's all on here (referring to Exhibit
4 Number 6).

5 So that's at the A' end of your cross-section,
6 correct?

7 A. That would be at the A end of the cross-section.

8 Q. Well, either I'm looking at them wrong or you've
9 got one of those markings upside down.

10 A. No, you're not looking at it wrong. No, you're
11 not. The A' end of the cross-section, you're right, is to
12 the south. And that is an error. I apologize.

13 Q. Are any of the perforations in the Indian Basin
14 red portion of the cross-section still open to production,
15 either in that North Indian Basin Unit Number 7 or the
16 Roaring Springs Federal Com Number 1?

17 A. Are they open to production in the upper zone?

18 Q. Yes, sir, are those perforations still open?

19 A. They were squeezed off in both cases.

20 Q. In both wells?

21 A. In both wells, yes, sir.

22 Q. And do you know what the nature of the production
23 was at the time they were squeezed?

24 A. I believe both --

25 Q. I assume a lot of water.

1 A. -- both of them were producing substantial
2 amounts of water, and they were abandoned for that reason.
3 They were not economically viable wells.

4 EXAMINER MORROW: Thank you.

5 THE WITNESS: Thank you very much.

6 EXAMINER MORROW: Appreciate it.

7 Mr. Bruce, do you have anything more?

8 MR. BRUCE: I have nothing further, Mr. Examiner.

9 EXAMINER MORROW: Thank you, sir.

10 MR. KELLAHIN: Mr. Examiner, I'm happy to present
11 a technical witness if you desire. However, Marathon's
12 technical presentation was made to the District Office
13 through the ordinary nomenclature process, and I believe we
14 have the District's concurrence about the extensions of
15 South Dagger Draw to pick up Sections 1, 2, 11 and 12. I
16 simply brought my witnesses today to hear Santa Fe's
17 presentation.

18 We are certainly here in support of their case
19 and believe that Section 14 is a logical continuation and
20 that all five of these sections ought to be put in the
21 South Dagger Draw.

22 If it would aid you, though, I would be happy to
23 call one of my witnesses and let you ask them questions
24 about their information. But the point of my statement is,
25 we've made that presentation; we're happy to do it again if

1 you would like to have it.

2 EXAMINER MORROW: I would like for him to tell us
3 there are not any gas wells in any of those sections.

4 MR. KELLAHIN: All right, sir. That is my
5 information from Mr. Steward, is that all the wells that
6 they have currently available ought to be classified as oil
7 wells. There is a well in Section 2, I believe, that's
8 still being tested. The status of that well is not
9 completely validated at this point.

10 But I would be happy to supply information to you
11 on those wells if you like.

12 EXAMINER MORROW: All right. Could you furnish
13 it here today?

14 MR. KELLAHIN: Yes, sir. Let me see if we have
15 it.

16 EXAMINER MORROW: Okay.

17 MR. KELLAHIN: We didn't bring the production
18 records for those wells, so if you'll allow me I'll submit
19 it to you after the hearing.

20 EXAMINER MORROW: Okay.

21 One additional question I had is, would this
22 acreage, if removed from the North Indian -- from the
23 Indian Basin-Upper Penn and placed in the South Dagger
24 Draw, would it remain a part of the North Indian Basin
25 Unit?

1 MR. KELLAHIN: Yes, sir, it would, so that if
2 there's a change in spacing as a result of moving it into
3 another pool, all equities remain the same because it's all
4 still within the unit.

5 EXAMINER MORROW: All right. So that wouldn't
6 disturb anybody's -- if you change the well's
7 classification from 640 to 320 acres?

8 MR. KELLAHIN: There would be no change for the
9 Marathon-operated unit properties.

10 EXAMINER MORROW: Well, I believe Santa Fe
11 testified that theirs is all federal acreage; is that
12 correct?

13 MR. GREEN: (Nods)

14 EXAMINER MORROW: Anything further in this case?

15 Mr. Stogner, do you have any additional
16 questions?

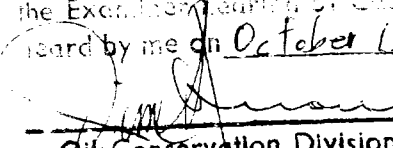
17 MR. STOGNER: Mr. Morrow, I do not, but I will at
18 the time of the nomenclature case request that this matter
19 be included in the nomenclature case that the OCD will be
20 putting on later.

21 EXAMINER MORROW: Okay. Well, if there's nothing
22 further, we'll take Case 11,112 under advisement.

23 (Thereupon, these proceedings were concluded at
24 9:13 a.m.)

25 * * *

STEVEN T. BRENNER, CCR
(505) 989-9317

the Examiner's hearing of Case No. 11112,
heard by me on October 13, 1994.
 Examiner
Oil Conservation Division

STEVEN T. BRENNER, CCR
(505) 989-9317