

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. 11,387
)
APPLICATION OF MEDALLION)
PRODUCTION COMPANY)
_____)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

ORIGINAL

BEFORE: DAVID R. CATANACH, Hearing Examiner

September 21, 1995

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, September 21st, 1995, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

September 21st, 1995
 Examiner Hearing
 CASE NO. 11,387

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APPLICANT'S WITNESSES:

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* * *

E X H I B I T S

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Exhibit 2	5	10
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Exhibit 5	9	10
Exhibit 6	9	10

* * *

A P P E A R A N C E S

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 11:11 a.m.:

3 EXAMINER CATANACH: At this time we'll call Case
4 11,387, the Application of Medallion Production Company for
5 an unorthodox gas well location, Chaves County, New Mexico.

6 Are there appearances in this case?

7 MR. CARR: May it please the Examiner, my name is
8 William F. Carr with the Santa Fe law firm Campbell, Carr
9 and Berge.

10 We represent Medallion Production Company in this
11 matter, and I have one witness.

12 EXAMINER CATANACH: Any additional appearances?
13 Will the witness please stand to be sworn in?

14 (Thereupon, the witness was sworn.)

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

18 DIRECT EXAMINATION

19 BY MR. CARR:

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

21 A. My name is William A. Siruta.

22 Q. And where do you reside?

23 A. Midland, Texas.

24 Q. Mr. Siruta, by whom are you employed?

25 A. Medallion Production Company.

1 Q. And what is your current position with Medallion?

2 A. I'm a geologist.

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

5 A. Yes.

6 Q. At the time of that testimony, were your
7 credentials as a petroleum geologist accepted and made a
8 matter of record?

9 A. Yes.

10 Q. Are you familiar with the Application filed in
11 this case on behalf of Medallion?

12 A. Yes.

13 Q. And have you made a geological study of the area
14 that is the subject of this case?

15 A. Yes.

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

18 EXAMINER CATANACH: Yes, they are.

19 Q. (By Mr. Carr) Mr. Siruta, would you briefly
20 summarize what Medallion Production Company seeks in this
21 case?

22 A. We seek to drill an unorthodox well location for
23 our USA 20 Number 1 well, to be located 990 feet from the
24 south line, 1100 feet from the east line of Section 20,
25 Township 15 South, Range 28 East, to test the Undesignated

1 Buffalo Valley-Pennsylvanian Gas Pool, and the south half
2 of Section 20 will be dedicated to the well.

3 Q. What are the well-location requirements for the
4 Buffalo Valley-Pennsylvanian Gas Pool?

5 A. 320-acre spacing, 660 feet from the short line of
6 the dedicated unit -- I mean from the long side, and 1980
7 from the short side of the unit.

8 Q. So the proposed well location is actually
9 encroaching on tracts to the east and to the southeast?

10 A. That's correct.

11 Q. Let's go to Medallion Exhibit Number 1. Would
12 you identify that and review it for Mr. Catanach?

13 A. It's a land plat with the blue outline in the
14 south half of Section 20 showing the dedicated unit. The
15 red spot is the proposed location.

16 The yellow-highlighted areas show the ownership
17 in the northeast quarter of Section 29, the northwest
18 quarter of Section 28 and the southwest quarter of Section
19 21.

20 Q. So those are all the operators toward whom the
21 well is actually being --

22 A. That's correct.

23 Q. All right. Let's go to Exhibit Number 2, your
24 production plat. Would you review that for the Examiner?

25 A. This is a production map. Again, the stippled

1 south-half outline of Section 20 is our dedicated unit.
2 The red dot is the proposed location. The heavy line
3 connecting the wells is a cross-section which will be shown
4 as an exhibit later. The green-colored circles are
5 indicating wells that produce from the Morrow pay that is
6 the target of this well.

7 As you can see, some of the wells in here are
8 pretty substantial. The two wells in 17, one has made 2.3
9 BCF and 42,000 barrels of oil. And the number below that
10 is the present daily rate.

11 The other well in 17 has made 7 BCF and 83,000
12 barrels of oil, still making 494 MCF.

13 The well in Section 19 has made 406 million, 2000
14 barrels of oil, making 155 MCF.

15 And the well in the northwest of 20 has made 116
16 million, 509 barrels of oil and making 5 MCF.

17 Q. If I look at this map, there appears to be one,
18 perhaps two wells that have been drilled in very close
19 proximity to the proposed location; is that correct?

20 A. Yes.

21 Q. And to what depths were those wells drilled?

22 A. They were drilled to a depth sufficient to test
23 the Morrow pay.

24 Q. There are two wells there? Two additional wells,
25 two previous wells --

1 A. Oh, I'm sorry, you're talking about the wells in
2 Section 20, in the southeast?

3 Q. Yes, I'm trying --

4 A. I'm sorry.

5 Q. It appears to me that there is definitely one
6 additional well in very close proximity to the proposed
7 location to where the well spot is placed.

8 My question is, are there one or two wells that
9 have already been drilled?

10 A. There's actually two wells. One of them was
11 drilled to a depth sufficient to test the Morrow. The
12 other one is a shallow Permian test.

13 Q. Let's go to Exhibit Number 3, the structure map.
14 Can you review this for Mr. Catanach?

15 A. It's a structure map on the base of the Morrow
16 pay sand. Again, the same outline on the dedicated unit
17 and the red dot for the proposed location.

18 This was done with strictly subsurface control,
19 no seismic.

20 Again, the green-colored circles are Morrow-
21 producing wells. The contour interval on this map is 50
22 feet. It shows the general structure of the Morrow.

23 Q. Actually, by moving to the east, you're losing
24 structure in this case, are you not?

25 A. That's correct.

1 Q. So structure is obviously not a very important
2 factor in selecting wells?

3 A. Not near as important as thickness of the sand.

4 Q. All right. Let's go to the net porosity isopach,
5 Exhibit Number 4, and I'd ask you to review the sand
6 thickness that you find in this area.

7 A. This is a net isopach map on the main Morrow pay.
8 I used an 8-percent cutoff where possible. Again, the same
9 outline of the dedicated unit, red dot for the proposed
10 well.

11 I think the three key wells in here are the one
12 well in 19, basically has one foot of net pay; the well in
13 the northwest of 20 has 12 foot of net pay; and the
14 abandoned well in the southeast that we will be drilling
15 very close to has 14 feet of net pay.

16 Q. You would anticipate how many feet at the
17 proposed location? Fourteen feet?

18 A. Yes.

19 Q. In your opinion, what would be the result of
20 having to develop this south-half unit with the well at a
21 standard location?

22 A. I believe that we would leave reserves in the
23 ground.

24 Q. Just by virtue of moving out of this sand
25 channel?

1 A. That's correct.

2 Q. All right. Let's go to Exhibit 5, your east-west
3 cross-section. Would you review the information on that
4 exhibit for Mr. Catanach?

5 A. This is the cross-section that's indicated on the
6 other maps by the heavy line, with the left side of the
7 cross-section being the west or the first well being the
8 well in Section 19.

9 What this cross-section indicates is the nature
10 of the sand deposit in this area, and it also indicates the
11 thinning of the sand as you get to the west and the
12 thickening as you go to the east.

13 Q. Again, this confirms that the proposed location
14 should put you in the thickest portion of the channel?

15 A. That's correct.

16 Q. Is Exhibit Number 5 [sic] an affidavit confirming
17 that notice of this Application has been provided to all
18 offset operators as shown on Exhibit Number 1 in accordance
19 with OCD rules?

20 A. Yes, sir.

21 Q. In your opinion, will approval of this
22 Application and the drilling of the proposed well result in
23 the recovery of hydrocarbons that otherwise will not be
24 produced?

25 A. That's correct.

1 Q. Will approval of the Application also be in the
2 best interest of conservation and the protection of
3 correlative rights?

4 A. Yes, sir.

5 Q. Were Exhibits 1 through 6 prepared by you or
6 under your direction?

7 A. Yes, sir.

8 MR. CARR: At this time, Mr. Catanach, we move
9 the admission into evidence of Medallion Production Company
10 Exhibits 1 through 6.

11 EXAMINER CATANACH: Exhibits 1 through 6 will be
12 admitted as evidence.

13 MR. CARR: And that concludes my direct
14 examination of Mr. Siruta.

15 EXAMINATION

16 BY EXAMINER CATANACH:

17 Q. Mr. Siruta, have you received any correspondence
18 from any offset operators?

19 A. Not at this time.

20 Q. There in fact is no offset Morrow production in
21 the acreage that you're encroaching upon; is that correct?

22 A. That's correct.

23 Q. Has there ever been, to your knowledge, any
24 Morrow production in those --

25 A. No, there has not.

1 Q. Tell me about the well that was drilled in that
2 southeast quarter that was -- that you've discussed.

3 A. That well was drilled back in -- Let's see, it
4 was drilled in 1971, which was really before most of this
5 production to the north was found.

6 It was drilled and drill stem tested, and the
7 drill stem test looks real odd to us. It looks like it may
8 have been a bad test. There was -- There should have been
9 no drainage here at all.

10 The well does exhibit good sand on a sample log
11 that I found. It exhibits good microlog porosity. The
12 only porosity log we have is this old sidewall neutron, but
13 it exhibits fairly good porosity on it.

14 And a re-entry was attempted to test this Morrow,
15 and at about 1500 feet they encountered some junk in the
16 hole and were unable to re-enter the well. At least that's
17 what I believe they were going for.

18 So we believe it's very possibly a passed-over
19 well.

20 Q. Do you know when that re-entry occurred?

21 A. I don't offhand. I think it was sometime in the
22 late Seventies, is all I remember.

23 Q. How close are you drilling to that wellbore?

24 A. That well is located 990 from the east, I
25 believe. So we're going to be fairly close. I think our

1 location is -- so we're, let's see, about 110 feet, 110
2 feet from that well. We really did that at the request of
3 our engineers.

4 Q. For what reason?

5 A. They just don't like to get very close to an
6 existing well like that, particularly one that's been
7 attempted re-entry and things.

8 Q. Okay. How much pay thickness do you think you're
9 gaining from this location?

10 A. I think if we drilled this in a legal location,
11 we'd probably be looking at somewhere around five feet. I
12 think by drilling where we're requesting, we might be able
13 to gain as much as ten feet, nine to ten feet.

14 And not only that, I think the important issue in
15 this particular system, channel system, is, I think we'll
16 gain better quality sand. It seems when you get in the
17 thicker sections you actually get not only thicker but the
18 quality increases.

19 Q. Have you seen that in the well logs in this area?

20 A. Yes.

21 Q. Should be comparable in sand thickness to the
22 well in the northwest of Section 20; is that correct?

23 A. Yes, it should be. And that, as you'll notice,
24 is a pretty poor well.

25 Q. Do you feel like you'll -- Why do you feel like

1 you'll get a better well than that one?

2 A. I think there's two problems with that well. One
3 is, they shot some lower zones beneath the main pay. One
4 zone they shot was 40 feet below the main pay, and that
5 zone is wet. As a matter of fact, it produced 25 to 30
6 barrels of fluid per hour, so it was really cranking out
7 the water.

8 I believe when they went in and completed their
9 well, that there's an awful good chance that they may have
10 gotten into that water, because I believe they are having
11 water problems right now.

12 And I also believe that well, there, experienced
13 some drainage from the well in the southwest of Section 17
14 that has made 7 BCF.

15 Q. Okay. In the interval that you propose to
16 perforate it, is that water-bearing at lower depths?

17 A. I have not seen a well in that zone that has
18 produced water or calculates wet. That's not to say that
19 it can't be, but I just have not seen it out here.

20 Q. So your losing structure doesn't alarm you in any
21 way?

22 A. No. I would like to be, you know, higher, but
23 it's a choice here of a sacrifice between sand thickness
24 and structure. I'd much rather sacrifice the structure. I
25 don't think that's going to be a problem.

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EXAMINER CATANACH: I have nothing further of
this witness.

MR. CARR: That concludes our presentation in
this case.

EXAMINER CATANACH: There being nothing further,
Case 11,387 will be take under advisement.

(Thereupon, these proceedings were concluded at
11:28 a.m.)

* * *

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiners hearing of Case No. 11387,
heard by me on 9/11 1995.

David R. Catanch, Examiner
Oil Conservation Division

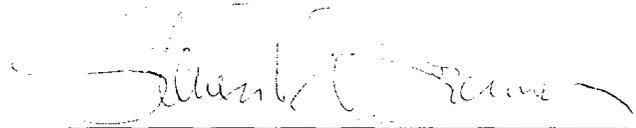
CERTIFICATE OF REPORTER

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 September 26th, 1995.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1998