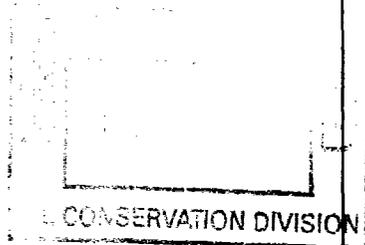


STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION



IN THE MATTER OF THE HEARING )  
CALLED BY THE OIL CONSERVATION )  
DIVISION FOR THE PURPOSE OF )  
CONSIDERING: )  
 )  
APPLICATION OF MEDALLION )  
PRODUCTION COMPANY )  
 )

CASE NO. 11,271

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS  
EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

April 20th, 1995  
Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on Thursday, April 20th, 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

April 20th, 1995  
 Examiner Hearing  
 CASE NO. 11,271

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\* \* \*

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\* \* \*

## A P P E A R A N C E S

## FOR THE DIVISION:

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## FOR THE APPLICANT:

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Santa Fe, New Mexico 87504-2208  
By: WILLIAM F. CARR

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2 12:18 p.m.:

3           EXAMINER STOGNER: At this time I'll call next  
4 case, 11,271.

5           MR. CARROLL: Application of Medallion Production  
6 Company for compulsory pooling and an unorthodox gas well  
7 location, Lea County, New Mexico.

8           EXAMINER STOGNER: At this time I'll call for  
9 appearances.

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

13          We represent Medallion Production Company, and I  
14 have one witness.

15          EXAMINER STOGNER: Any other appearances?  
16 Will the witness please stand to be sworn?  
17 (Thereupon, the witness was sworn.)

18          MR. CARR: Mr. Stogner, initially I can report  
19 that Medallion has reached agreement with the other  
20 interest owners in the proposed spacing unit, so the  
21 portion of this case related to compulsory pooling may now  
22 be dismissed.

23          We will present only a geological presentation in  
24 support of the unorthodox well location.

25          EXAMINER STOGNER: Let me make sure we got that

1 location right. That's 660 from the south, 1980 from the  
2 east, being standard for 40-acre and 160-acre spacing but  
3 unorthodox for 330.

4 What formation are we to be looking at on the  
5 unorthodox portion? I take it --

6 THE WITNESS: Atoka-Morrow.

7 EXAMINER STOGNER: The Atoka -- The Atoka-Morrow?

8 THE WITNESS: Yes. In this area it's unclear as  
9 to whether the sands here are Atoka or Morrow age.

10 EXAMINER STOGNER: Have you -- well, I'm -- Why  
11 don't we go ahead and call it, and perhaps I'm getting a  
12 little too far advanced.

13 Okay, so the compulsory pooling portion of the  
14 case --

15 MR. CARR: -- can now be dismissed.

16 EXAMINER STOGNER: Okay, and we swore the witness  
17 in.

18 MR. CARR: Yes, sir, we have.

19 EXAMINER STOGNER: And Mr. Carr, it's your turn.

20 WILLIAM A. SIRUTA,

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

23 DIRECT EXAMINATION

24 BY MR. CARR:

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

1 A. William Siruta.

2 Q. Mr. Siruta, Where do you reside?

3 A. Midland, Texas.

4 Q. By whom are you employed?

5 A. Medallion Production Company.

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

7 A. Geologist.

8 Q. Have you previously testified before the Oil  
9 Conservation Division?

10 A. Yes.

11 Q. At the time of that prior testimony, were your  
12 credentials as a petroleum geologist accepted and made a  
13 matter of record?

14 A. Yes.

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

17 A. Yes.

18 Q. And are you familiar with the subject area and  
19 the proposed well?

20 A. Yes.

21 MR. CARR: Are the witness's qualifications  
22 acceptable?

23 EXAMINER STOGNER: They are.

24 Q. (By Mr. Carr) Mr. Siruta, could you briefly  
25 state what Medallion is seeking with this Application?

1           A.    Requesting an unorthodox location for the Atoka-  
2 Morrow sands.

3                    The location will be 660 from the south line and  
4 1980 from the east line of Section 31, Township 16 South,  
5 Range 35 East, with an east-half proration unit dedicated  
6 to the well.

7           Q.    And you have prepared exhibits for presentation  
8 here today?

9           A.    Yes.

10          Q.    Let's go to what has been marked as Exhibit  
11 Number 1, the structure map, but initially let's use this  
12 to review the status of the acreage in this area.

13          A.    Okay.

14          Q.    On whom is this proposed location actually  
15 encroaching to the south in Section 6?

16          A.    Three parties: Marathon Oil, Mobil Oil and BTA.

17          Q.    And what does Marathon own in the north half of  
18 Section 6?

19          A.    They own the north half of the north half and the  
20 southwest of the northwest.

21          Q.    And you are two-thirds too close to them by  
22 virtue of having a standup unit?

23          A.    That's correct.

24          Q.    Have you been in negotiations with Marathon?

25          A.    Yes, we have a signed waiver from Marathon.

1 Q. And is a copy of that waiver what has been marked  
2 as Medallion Exhibit Number 2?

3 A. Yes.

4 Q. What interest does Mobil own in the north half of  
5 Section 6?

6 A. Mobil has the south half of the northeast  
7 quarter.

8 Q. And have you been in negotiations also with  
9 Mobil?

10 A. Yes, we have reached a verbal commitment from  
11 them that's identical to the Marathon commitment.

12 Q. And we are prepared at this time to advise Mr.  
13 Stogner that we will enter a letter agreement with them,  
14 and are willing to so, that extends to them the same  
15 information -- provides to them the same information as we  
16 have agreed to provide to Marathon in our letter of April  
17 11th?

18 A. Yes, sir.

19 Q. And we advised Mobil that we would confirm that  
20 we had reached this agreement on the record here today?

21 A. Yes.

22 Q. What about BTA?

23 A. We also have reached an agreement and have a  
24 signed waiver from BTA.

25 Q. And BTA not only operates the west half of the

1 section, but has a 40-acre tract in the north half of  
2 Section 6?

3 A. Yes, they have the southeast to the northwest.

4 Q. And we have therefore reached agreement with all  
5 offsetting operators on whom this well is encroaching?

6 A. That's correct.

7 Q. What is the status of the acreage in the east  
8 half of Section 31?

9 A. Medallion Production Company has the southeast  
10 quarter, and BTA is the owner of the northeast quarter, and  
11 we have obtained a farmout from BTA on the northeast  
12 quarter at this point.

13 Q. If you were able to develop Section 31 with a  
14 laydown unit, this in fact would be a standard well  
15 location, would it not?

16 A. That's correct.

17 Q. That acreage is not available to you in the  
18 Atoka-Morrow because at the present time BTA has a well in  
19 that formation and has dedicated the west half of the  
20 section; is that correct?

21 A. That's correct.

22 Q. All right. Let's now take a look at the  
23 structure map, the structure map portion of Exhibit Number  
24 1, and I would ask you to review that information for Mr.  
25 Stogner.

1           A.    This is a structure map on the base of the Atoka  
2 Morrow shale marker.  It's contoured on a 100-foot  
3 interval.  It's based on subsurface data only.

4                    And what it basically shows is, to the southwest  
5 part of the map you can see the northern end of the Vacuum  
6 high, which produces in many shallow horizons and plunges  
7 to the north and dips very strongly to the north and to the  
8 northeast.

9                    The two key wells, really, that affect our well  
10 are the BTA Vacuum Number 1 well, which has a datum of  
11 8373, and the Mobil State Section 30 has a datum of 8425,  
12 minus 8425.

13                   Our proposed location is marked by a red dot and  
14 would be flat to the BTA well.

15           Q.    Okay, you're upstructure from the Mobil well  
16 which is wet, the well in Section 30?

17           A.    That's correct.

18           Q.    All right, let's go to what has been marked as  
19 Medallion Exhibit Number 4, the cross-section.  Would you  
20 review that for the Examiner, please?

21           A.    This is a cross-section that is marked on the  
22 structure map by the line connecting the various wells.

23                    The heavy marker shows the base of the Morrow  
24 shale marker, which is what I base my structure map on.

25                    The yellow sections colored on the map are the

1 Atoka-Morrow sands that are the main producing horizon out  
2 here.

3 The important issue here, I think, is that the  
4 well on the left-hand side of the cross-section, the Mobil  
5 well, has a calculated saltwater saturation of 49 percent.  
6 The well was drilled and abandoned.

7 The BTA well, which is the next well on the  
8 cross-section, has a saltwater saturation in the Atoka-  
9 Morrow interval of 33 percent. It was completed as an  
10 Atoka-Morrow producer.

11 It appears that anything that has greater than 45  
12 percent SW is probably wet in this zone.

13 The well next to the location -- to the right of  
14 the location marker is a Marathon well in Section 6. There  
15 was no Atoka-Morrow sand present in that well.

16 The last well on the cross-section is the Mobil  
17 Oil State UU Com, which is in Section 7. Had a very thick  
18 section of Atoka-Morrow and is productive.

19 Q. Mr. Siruta, if you were required to develop the  
20 standup unit in the east half of Section 31 at a standard  
21 location of 1980 feet from the east line, would you  
22 recommend to your management that that well in fact be  
23 drilled?

24 A. No.

25 Q. Why would that be?

1           A.    I believe that somewhere between the BTA Vacuum  
2 well and the Mobil State Section 30 well is a gas-water  
3 contact in this reservoir.

4                    If you take the halfway point and say that it's  
5 halfway between those two wells, that would put it at a  
6 datum of a minus 8400, which is very close to what the  
7 legal location would be, and I believe you would run  
8 extreme risk of being wet.

9           Q.    In your opinion, is a well at the proposed  
10 unorthodox location necessary to enable the interest owners  
11 in the east half of this section to produce their fair  
12 share of the reserves in the Atoka-Morrow formation?

13           A.    Yes.

14           Q.    Would approval of this Application impair the  
15 correlative rights of any of the offsetting operators?

16           A.    No.

17           Q.    In fact, the operators in the north half of  
18 Section 6 could develop it from the laydown unit and be as  
19 close to you as you, in fact, are to them; is that not  
20 right?

21           A.    That's correct.

22           Q.    Were Exhibits 1 through 4 prepared by you?

23           A.    Yes.

24                   MR. CARR: At this time, Mr. Stogner, we move the  
25 admission of Medallion Exhibits 1 through 4.

1

EXAMINER STOGNER: Exhibits 1 through 4 will be

2 admitted into evidence.

3 Q. (By Mr. Carr) Mr. Siruta, Exhibit Number 5 is a  
4 copy of an affidavit confirming that notice of this  
5 Application was provided on March 30th to Marathon and BTA;  
6 is that correct?

7 A. That's correct.

8 Q. And since that time, agreements have been reached  
9 with both Marathon and BTA whereby they waive objection to  
10 this Application?

11 A. That's correct.

12 MR. CARR: Mr. Stogner, I'd also move the  
13 admission of Medallion Exhibit Number 5.

14 EXAMINER STOGNER: Exhibit Number 5 will be  
15 admitted into evidence.

16 MR. CARR: And that concludes my examination of  
17 Mr. Siruta.

18 EXAMINATION

19 BY EXAMINER STOGNER:

20 Q. I'm referring to Exhibit Number 3, and this is  
21 the BTA agreement.

22 A. Uh-huh.

23 Q. It appears to me that BTA -- And they signed this  
24 agreement, correct?

25 A. Yes, sir.

1 Q. Okay. Do you have a copy of the letter you sent  
2 to them that this letter transpired from?

3 A. I think the contact we had was verbal. They have  
4 an individual that works in what's called their  
5 governmental affairs group, and I called him, discussed  
6 this situation with him, and from that discussion he  
7 prepared that agreement.

8 Q. Okay --

9 MR. CARR: Mr. Stogner --

10 Q. (By Examiner Stogner) -- who was assigned by --  
11 from BTA?

12 Do you -- Can you make that out? Was this the  
13 person you talked to?

14 A. No, I believe that's one of their managers. The  
15 person I talked to didn't have the authority to sign. I  
16 don't have that in front of me.

17 Can you read that, Bill?

18 MR. CARR: The signature?

19 THE WITNESS: Yeah.

20 MR. CARR: BTA was signed by Pete Wilkinson, and  
21 we were signed by Mr. --

22 THE WITNESS: Oh -- BTA or Marathon? I'm sorry,  
23 BTA is who we're talking about?

24 MR. CARR: Yes.

25 THE WITNESS: I'm sorry. Wilkinson is the land

1 manager over there, the senior land manager.

2 Q. (By Examiner Stogner) According to this, it  
3 appears that they have given you their agreement for  
4 unorthodox location to the Atoka formation and not the  
5 Morrow formation.

6 But on all your exhibits you have the marker  
7 shale, the Morrow marker shale, and we're even not next to  
8 an Atoka-Morrow pool.

9 A. Well, the pool that we're next to here is the  
10 Vacuum Atoka Morrow, I believe.

11 Q. Yeah.

12 A. Isn't that what it's -- I think that's what it's  
13 designated as.

14 Q. And that would indicate that it takes both the  
15 Atoka and the Morrow into consideration. But they just  
16 signed off on the Atoka. But you're going to test the  
17 Morrow too, aren't you, in that pool?

18 A. Well, I guess where the confusion lies is that --  
19 is that geologically, I guess, when we talk about this  
20 particular zone, this sand, we call it Atoka dash Morrow  
21 because we're really not sure what the age is of this.

22 And I guess part of the reason why I call it that  
23 is because that's what the field designation calls this  
24 sand. It's Vacuum Atoka dash Morrow.

25 Q. Did they understand that, BTA, when you discussed

1 it with them?

2 A. Yes, I talked to their geologist also. They were  
3 in the meeting when I talked to them. Jackie Wilson was  
4 her name.

5 Q. As Mr. Carroll pointed out, this waiver, however,  
6 applies to all formations spaced on 320.

7 Now, that could be taken several different ways  
8 too. All formations above the Atoka on 320, or does that  
9 mean everything on 320 from the surface to China?

10 I just -- I want to make sure that they were  
11 clear on it. I think the advertisement is broad enough,  
12 because we do mention the undesignated --

13 MR. CARR: Yes, sir.

14 EXAMINER STOGNER: -- North Vacuum Atoka-Morrow  
15 Pool, and you're right up against it.

16 And yeah, most operators -- But it's one of those  
17 deals that you might have a technical -- somebody may  
18 technically come up and say, Well, I agreed to the Atoka  
19 but not the Morrow, even though it's one pool.

20 And if you feel it's broad enough, then I'll take  
21 it at that and take this case under advisement at this  
22 time.

23 MR. CARR: All right, Mr. Stogner, I do think  
24 we're comfortable with that, and we have nothing further to  
25 present in this case.

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EXAMINER STOGNER: Okay, I will take Case Number 11,271 under advisement at this time.

(Thereupon, these proceedings were concluded at 12:34 p.m.)

\* \* \*

I do hereby certify that the foregoing is a complete transcript of the proceedings in the Examination of Case No. 11271, heard by me on 20 April 1995.

*[Handwritten Signature]*  
Examiner  
Oil Conservation Division

