

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
February 5, 1975

EXAMINER HEARING

----- )  
 )  
IN THE MATTER OF: )  
 )

Application of Phillips Petroleum )  
Company for a unit agreement, )  
Lea County, New Mexico. )  
----- )

CASE NO. 5412

BEFORE: Richard L. Stamets, Examiner

For the New Mexico Oil  
Conservation Commission:

Thomas Derryberry, Esq.  
Legal Counsel for the  
Commission  
State Land Office Building  
Santa Fe, New Mexico

For the Applicant:

Thomas Kellahin, Esq.  
KELLAHIN & FOX  
500 Don Gaspar  
Santa Fe, New Mexico

I N D E X

PAGE

PAUL E. HANNA

Direct Examination by Mr. Kellahin

3

E X H I B I T S

Applicant's Exhibits Nos. 1 through 5

9

HANNA-DIRECT

MR. STAMETS: Case 5412.

MR. DERRYBERRY: Case 5412. Application of Phillips Petroleum Company for a unit agreement, Lea County, New Mexico.

MR. STAMETS: We call for appearances in this case.

MR. KELLAHIN: Tom Kellahin of Kellahin and Fox, Santa Fe, New Mexico, appearing on behalf of Phillips Petroleum Company, the Applicant, and I have one witness to be sworn.

MR. STAMETS: The witness will stand and be sworn, please.

(Witness sworn.)

MR. STAMETS: You may proceed, Mr. Kellahin.

PAUL E. HANNA

called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, by whom you are employed, and in what capacity?

A My name is Paul E. Hanna. I am a land man for Phillips Petroleum Company, Odessa, Texas.

Q Mr. Hanna, have you previously testified before

HANNA-DIRECT

Page.....4

this Commission?

A I have not.

Q Would you explain briefly your educational background for the benefit of the Examiner?

A I am a graduate of the University of Oklahoma with a B.S. degree in business management. I have worked for Phillips Petroleum Company for 22 years. I have been a land man for 18 years.

Q Does your area of responsibility under your employment with Phillips include the organization and the completion of this unit agreement for the Eaves Unit Area?

A Yes, sir.

Q Have you made a study of and are you familiar with the facts surrounding this particular Application?

A Yes, sir.

MR. KELLAHIN: If the Examiner please, are the witness' qualifications as an expert with regard to this unit agreement acceptable?

MR. STAMETS: They are.

BY MR. KELLAHIN:

Q Mr. Hanna, would you please refer to what has been marked as Applicant's Exhibit No. 1, which is the plat, and identify it and explain what Phillips Petroleum

Company is seeking?

A This is a plat that covers a  $5\frac{1}{2}$  section unit, all on State-owned land, and we want to unitize this as to all depths, and we will proceed if approved to drill a Morrow test, 14,500 foot to be located in the southwest of the southeast quarter of Section 18.

There are five owners in this five-and-a-half sections of land, and that is: Mesa Petroleum Company, Phillips Petroleum Company, Gulf Oil Corporation, Union Oil Company of California, and Amoco Production Company.

Q Does your plat, Exhibit 1 show the site location of your test well?

A It does, in the southwest of the southeast quarter of Section 18, 21 South, 33 East.

Q Your proposed unit area is outlined in the green pencil?

A Yes. Now, the outline in brown shows the R-111A Potash area of this part of New Mexico.

Q This is placed upon the plat simply as a reference for the Examiner?

A Yes, sir.

Q All right. Would you refer now to what has been marked as Applicant's Exhibit No. 2 and identify it?

A This is the Unit Agreement for the development and operation of the Eaves Unit Area, Lea County, New Mexico.

Q Is the form of Unit Agreement essentially the same as that which has been previously approved by the Oil Conservation Commission in the past?

A It is.

Q This is the proposed State of New Mexico Unit Agreement form, is it not?

A Yes, sir.

Q The proposed Eaves Unit Area consists of how many acres, Mr. Hanna?

A 3496.11 acres.

Q Would you please refer to the exhibits attached as appendices to Exhibit 2 and identify them?

A Exhibit A, the second exhibit, is a plat of the acreage included in the unit area.

Q What is Exhibit B?

A Exhibit B is a description of the unit area by ownership.

Q All right. Would you refer to what has been marked as Exhibit 3 and identify it?

A This is the proposed Eaves Unit covering 3496.11 acres, being all of Sections 8 and 17 and the south half

HANNA-DIRECT

Page.....7

of 18 and all of Sections 19, 20 and 29, of 21 South, 33 East, Lea County, New Mexico. In this exhibit it shows Mesa Petroleum Company having 43.4769 percent, Phillips Petroleum Company having 32.9521 percent, Gulf Oil Corporation having 10.2971 percent, Union Oil Company of California having 8.9299 percent, and Amoco Production Company having 4.3440 percent. Phillips is designated operator of this unit.

Q What is the basis of the tract participation or your participation formula for the unit?

A The participation formula is acreage.

Q Strictly the acreage participation, is that correct?

A Yes.

Q What percentage of those entities have either ratified or agreed to execute the unit agreement?

A 100 percent. I might say as a word of explanation, Union of California has agreed to the unit, but they are withholding judgement as to either joining or farming out at this time. All others have designated that they will join in the unit.

Q At this point, you have a sufficient number of participants to assure a successful and efficient operation

of this unit?

A Yes, sir.

Q Would you please refer to what has been marked as Exhibit No. 4 and identify it?

A This is a letter from Mr. H. M. Clark, Senior Vice President of Potash Company of America. Is this the one you are talking about?

Q Yes.

A Which acknowledge a letter which we wrote to them seeking whether or not they would object to drilling in this location, and they have answered that they will not object to the oil-gas drilling in this position.

Q Please refer to what has been marked as Exhibit 5 and identify it?

A This is a letter from Phil R. Lucero, Commissioner of Public Lands, signed by Ray D. Graham, concerning our tentative approval of the unit agreement, and Exhibits A and B of the Eaves Unit Area. Mr. Graham says: (Reading) This form of agreement meets with the requirements of the Commissioner of Public Lands, therefore, the Commissioner of Public Lands has this day approved your agreement as to project and as to form and content.

Q In your opinion, Mr. Hanna, will approval of this



HANNA-DIRECT

Page.....9

Application prevent waste and promote conservation and protect the correlative rights of others?

A Yes, it will.

Q Were Exhibits 1 through 5 either prepared by you directly or compiled under your direction and supervision?

A I was a joint person in compiling this information. Mr. E. M. Gorence, the District Land Man helped in the matter.

Q To the best of your knowledge and information, the exhibits are true and correct?

A Yes, sir.

MR. KELLAHIN: We move the introduction of Exhibits 1 through 5.

MR. STAMETS: Exhibits 1 through 5 will be admitted.

(Whereupon, Applicant's Exhibits 1 through 5 were marked for identification, and were admitted into evidence.)

MR. KELLAHIN: That concludes our direct examination of this witness.

MR. STAMETS: Are there any questions of the witness?

He may be excused.

(Witness dismissed.)

MR. STAMETS: Is there anything further in this  
case?

The case will be taken under advisement.

STATE OF NEW MEXICO )  
 ) SS.  
COUNTY OF SANTA FE )

I, RICHARD L. NYE, Court Reporter, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.

COURT REPORTER

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5412, heard by me on 2-5, 1975.

Richard L. Nye, Examiner  
New Mexico Oil Conservation Commission