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BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
July 21, 1976

EXAMINER HEARING

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IN THE MATTER OF: )

Application of Marathon Oil Company )  
for a unit agreement, Lea County, )  
New Mexico. )

CASE  
5715

-----  
BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil  
Conservation Commission:

William F. Carr, Esq.  
Legal Counsel for the Commission  
State Land Office Building  
Santa Fe, New Mexico

For the Applicant:

Robert J. Pickens, Esq.  
Robert A. Hasty, Esq.  
Legal Counsels  
Marathon Oil Company  
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P. O. Drawer 700  
Roswell, New Mexico

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A. W. HANLEY

Direct Examination by Mr. Pickens

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ALVIN A. KOLLAJA

Direct Examination by Mr. Pickens

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Applicant's Exhibit Two, Plat

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1 MR. STAMETS: The hearing will please come to order.  
2 We will take first Case 5715.

3 MR. CARR: Case 5715, application of Marathon Oil  
4 Company for a unit agreement, Lea County, New Mexico.

5 MR. MALONE: If it may please the Commission, I'm  
6 Charlie Malone of Atwood, Malone, Mann and Cooter of Roswell  
7 for the applicant with Robert J. Pickens and Robert A. Hasty  
8 who are attorneys for Marathon and members of the Texas Bar.  
9 We have two witnesses and two exhibits?

10 MR. STAMETS: I ask that all of the witnesses stand  
11 and be sworn, please?

12 MR. PICKENS: Mr. Hanley and Mr. Kollaja.

13 (THEREUPON, the witnesses were duly sworn.)

14 MR. Pickens; I would like to call Mr. Hanley at  
15 this time.

16  
17 A. W. HANLEY  
18 called as a witness, having been first duly sworn, was  
19 examined and testified as follows:

20  
21 DIRECT EXAMINATION

22 BY MR. PICKENS:

23 Q Will you please state your name, where you reside and  
24 by whom you are employed and the position you hold?

25 A My name is A. W. Hanley, I live in Midland, Texas

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1 and I'm employed by Marathon Oil Company as a District  
2 Landman.

3 Q Have you previously testified before the Oil  
4 Conservation Commission of the State of New Mexico,  
5 Mr. Hanley?

6 A Yes, sir.

7 MR. PICKENS: Mr. Examiner, will you accept the  
8 previous testimony and qualifications of this witness as a  
9 landman?

10 MR. STAMETS: Yes, the witness' qualifications are  
11 accepted.

12 Q (Mr. Pickens continuing.) Mr. Hanley, in your  
13 capacity as District Landman for Marathon have you been  
14 responsible for and participated in the formation of units  
15 in preparation of unit agreements similar to the one which is  
16 the subject of this proceeding?

17 A Yes, sir, I have worked on projects of this type  
18 in New Mexico and Texas in the past.

19 Q I'm going to hand you, Mr. Hanley, a copy of what  
20 has been marked as Exhibit Number One which is entitled, "Unit  
21 Agreement for the Development and Operation of the Northeast  
22 Anderson Ranch Unit Area, Lea County, New Mexico" and ask if  
23 this is a true copy of the unit agreement which has been  
24 submitted to the various interest owners in the Northeast  
25 Anderson Ranch Unit area?

1           A.     Yes, sir, it is a true copy of the unit agreement  
2 which we have submitted.

3           Q.     All right, now, there are certain variations in  
4 this particular exhibit from the one which was submitted with  
5 Marathon's application to the Commission. Will you point out  
6 to the Examiner the changes that have been made in the  
7 Exhibit Number One from the previously submitted -- in other  
8 words, we have found out additional information and have  
9 corrected certain portions of the agreement?

10          A.     Yes, with the exception of the description of the  
11 unit area and Exhibits A, B and C to the agreement have been  
12 changed to reflect those changes.

13          Q.     Will you point out to the Examiner the specific  
14 changes that have been made in the unit area and the Exhibits  
15 A, B and C?

16          A.     On page two under "Unit Area", the unit area has  
17 been revised as to Section 23 to eliminate the forty acres  
18 described as the southwest quarter of the northwest quarter  
19 of Section 23, which would reduce our acreage from the  
20 twenty-seven, twenty acres in the original agreement to  
21 twenty-six hundred and eighty acres.

22          Q.     And what was the reason for this deletion?

23          A.     Amoco Production Company owns that particular  
24 forty-acre lease and declined to commit it to the unit.

25          Q.     What changes were made on Exhibits A, B and C to the

1 unit agreement?

2 A. Well, Exhibit A was changed to eliminate that  
3 tract and to renumber the remaining tracts.

4 Q. In other words, we have eliminated from the unit  
5 outline the forty-acre tract?

6 A. Correct, which was originally Tract Eleven.

7 Q. And on Exhibit B what changes were made?

8 A. Well, on Exhibit B Tract One was amended to show  
9 what we have now determined to be the correct overriding  
10 royalty ownership and also working interest ownership, as well  
11 as the elimination of the old Tract Eleven on the original  
12 unit agreement which was listed as covering the Amoco forty  
13 acres and renumbering of the remaining tracts.

14 Q. In other words, what you have done is you have  
15 conformed this exhibit to the facts as they now exist?

16 A. Correct.

17 Q. And then Exhibit C which sets out the participation  
18 has also been revised?

19 A. The same changes. Part one eliminated that forty  
20 acres and part two showing the the various interests of the  
21 parties which was revised to reflect the resultant twenty-  
22 six hundred and eighty acre unit ownership.

23 Q. And the unit agreement as presented in Exhibit  
24 Number One correctly now reflects the unit area to be  
25 covered by the Northeast Anderson Ranch Unit and the exhibits

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1 attached to Exhibit Number One correctly show the ownership,  
2 both working interest, royalty interest and overriding royalty  
3 interest as we know it to be at this time, is that correct?

4 A. Yes, sir.

5 Q. Will you please state the names, Mr. Hanley, of the  
6 working interest owners in the area other than Marathon and  
7 the status of their commitments to the unit?

8 A. Superior Oil Company, Union Oil Company of  
9 California, Allied Chemical Corporation, Exxon Corporation,  
10 George P. Hill, Oil Development Company of Texas, Max H.  
11 Christianson, McAlester Fuel Company, estate of W. J. Golson,  
12 R. S. Golson, Colorado Oil and Gas Corp., W. C. Partee,  
13 Mayfield Corporation and the estate of Patty Lynn Golson  
14 Mayfield.

15 Q. Have all of these working interest owners either  
16 agreed to participate in the unit or farm out their interests  
17 in the unit to other participants?

18 A. They have.

19 Q. What is the ownership of the royalty interest in  
20 the land under the Northeast Anderson Ranch Unit?

21 A. It is one hundred percent State of New Mexico, owned  
22 by the State of New Mexico.

23 Q. And has this proposed unit agreement been submitted  
24 to the Commissioner of Public Lands of the State of New Mexico  
25 and has he given any approval of the same?

1           A.     Yes, in the first part of May we submitted the  
2 proposed unit agreement to the Commissioner of Public Lands  
3 for preliminary approval in the interests of time and by a  
4 letter dated May 4th and as amended by a letter dated May 18th  
5 the Commissioner gave his approval as to form and content of  
6 the unit agreement and as the unit area as a logical area for  
7 unitization.

8           Q.     Subject to approval --

9           A.     Subject to final approval and also approval by the  
10 OCC.

11          Q.     All right, sir, under the unit agreement who is  
12 designated as operator?

13          A.     Marathon Oil Company.

14          Q.     What formations and substances are unitized under  
15 this agreement?

16          A.     All formations.

17          Q.     In other words, all formations and for what  
18 substances?

19          A.     Oil and gas and associated hydrocarbons.

20          Q.     And what are the initial drilling obligations as  
21 set forth in the unit agreement, Mr. Hanley?

22          A.     For a test well to the depth of ten thousand, five  
23 hundred feet or such lesser depth to test the Cisco lime  
24 formation at a location in the northwest quarter of the  
25 southeast quarter of Section 14.

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1 Q All right, and do we have any what we consider  
2 critical dates by which we would like to commence this well?

3 A There are two eighty-acre leases, each of which has  
4 an August the sixteenth, 1976, expiration.

5 Q I see and we would like to commence this well if at  
6 all possible before this date?

7 A Right, to continue those leases.

8 Q Mr. Hanley, in your opinion as a landman who has  
9 worked in these areas, do you feel that this unitization  
10 agreement will adequately protect the correlative rights of  
11 all owners with interest in the Northeast Anderson Ranch Unit?

12 A Yes, sir.

13 MR. PICKENS: I have no further questions of this  
14 witness. We would like to submit Exhibit One.

15 MR. STAMETS: Exhibit One will be admitted.

16 (THEREUPON, Applicant's Exhibit One was  
17 admitted into evidence.)

18 MR. STAMETS: Are there any questions of this  
19 witness? He may be excused.

20 (THEREUPON, the witness was excused.)

21 MR. PICKENS: I would like to call Mr. Alvin  
22 Kollaja, our second witness.

23 ALVIN A. KOLLAJA

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

DIRECT EXAMINATION

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BY MR. PICKENS:

Q Will you please state your name, where you reside, by whom you are employed and the position you hold?

A Yes, sir, I'm Alvin A. Kollaja, I live in Midland and I'm a Senior Geologist for Marathon Oil Company.

Q Mr. Kollaja, have you previously testified before the Oil Conservation Commission of the State of New Mexico?

A No, sir.

Q You have not?

A I have not.

Q Would you please state your education and work experience background for the Examiner in order that he may consider your qualifications as an expert witness in the field of geology?

A I received my degree, Bachelor of Science degree, in Geology from the Southern Methodist University and I have been employed by Marathon Oil Company for twenty-five years. Seventeen of those years I spent in the Midland District which covers the southeastern portion of the State of New Mexico.

Q And including the proposed unit area which we have under consideration?

A Including the area that we have under consideration.

MR. PICKENS: Mr. Examiner, do you consider the witness qualified as an expert in the area of geology?

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1 MR. STAMETS: Just one question. Mr. Kollaja, this  
2 twenty-five years of experience has been in geological work?

3 THE WITNESS: Yes, sir, as a geologist, right.

4 MR. STAMETS: The Examiner considers the witness  
5 qualified.

6 MR. PICKENS: Thank you.

7 Q. (Mr. Pickens continuing.) Mr. Kollaja, you have  
8 before you what has been marked as Exhibit Number Two to  
9 Marathon's presentation which is a plat of the Northeast  
10 Anderson Ranch Unit area. Was this exhibit and the geological  
11 report which you prepared previously and submitted to the  
12 Commissioner of Public Lands prepared under your supervision  
13 and direction?

14 A. Yes, sir, they were.

15 Q. And will you state in your own words briefly what  
16 Marathon's geological interpretation of the Northeast Anderson  
17 Ranch area is and what is depicted upon this plat as Exhibit  
18 Two?

19 A. Yes, sir. The map is a subsurface map on the Lower  
20 Wolfcamp in conjunction with the seismic map. It was mapped  
21 on the Three Brothers formation which is immediately above the  
22 Upper Pennsylvanian, Bursum or Upper Pennsylvanian formation  
23 which is the primary objective. The Bursum is the primary  
24 objective. You will note that in the cross section immediately  
25 above the map. The scale is one inch to two thousand and it

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1 was contoured on fifty feet.

2           The unit outline you will note is crosshatched and  
3 we anticipate a permeability barrier on the updip side which  
4 is designated by the blue band and the downdip side you will  
5 notice also where we feel like that will be the oil-water  
6 contact of any hydrocarbons.

7           This is a band of carbonate that joins the  
8 Saunders and the North Anderson Ranch field and we feel that  
9 it is a depositional environment that created this band and  
10 it should occur at the Northeast Anderson Ranch area that we  
11 are proposing.

12           The Bursum portion of the Wolfcamp changes facies  
13 from the Union of Texas well, you will note in Section 15, and  
14 it is impermeable and tight in the formation of interest and  
15 then that formation changes facies in the zoning well in  
16 Section 24. We feel that that facies change represents an  
17 accumulation or a deposit of that carbonate in the area of  
18 interest.

19           We believe also that the same trapping mechanism  
20 appears in this area and that the outline represents the best  
21 possible area of accumulation between the facies change and,  
22 of course, the downdip limit but also that the structure  
23 represents, as shown on the map, that it would be a structural  
24 trap but also a stratigraphic trap and the outline shows the  
25 best possible area of the accumulation.

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1 Q. In other words, the unit area?

2 A. The unit area, across the unit area.

3 Q. Mr. Kollaja, does this exhibit show the proposed  
4 initial well location, would you point that out?

5 A. Yes, the initial well location is in Section 14,  
6 nineteen, eighty from the south and east lines.

7 Q. And in your opinion as a geological witness you  
8 feel that a well drilled to the proposed depth of ten  
9 thousand, five hundred feet would adequately test the objective  
10 formation, is that correct at this location?

11 A. Yes, sir, I do.

12 Q. Are there any other possibilities of production in  
13 this area, other than the Bursum?

14 A. Yes, there are minor possibilities in the Queen  
15 and the San Andres.

16 Q. Which are formations?

17 A. Yes, overlying formations.

18 Q. Mr. Kollaja, in your opinion as an expert geological  
19 witness, do you feel that posing an exploratory unit for this  
20 area would be an adequate way to develop the potential  
21 hydrocarbon reserves in this particular area?

22 A. Yes, sir, I do.

23 Q. And is it your opinion, again as a geological  
24 witness, that each owner in this unit area will recover, if  
25 successful, his fair share of the hydrocarbon reserves under

1 a unit form of operation?

2 A. Yes, sir, I do, I feel that it would serve each  
3 owner much better if it was a unitized area.

4 Q. In other words, it would promote conservation of  
5 oil and gas and prevent waste?

6 A. It would promote conservation and reduce the  
7 waste.

8 MR. PICKENS: I have no further questions of the  
9 witness, Mr. Examiner.

10 MR. STAMETS: Are there any questions of the  
11 witness? He may be excused.

12 (THEREUPON, the witness was excused.)

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

14 MR. PICKENS: I would like to submit Exhibit Two  
15 into evidence.

16 MR. STAMETS: Exhibit Number Two will be admitted.

17 (THEREUPON, Applicant's Exhibit Number Two  
18 was admitted into evidence.)

19 MR. MALONE: May we mention in the record, Mr.  
20 Examiner, that back in 1963 there was a Northeast Anderson  
21 Ranch Unit created by Order Number R-2466 but that unit was  
22 terminated on June 1, 1964 and the Commissioner of Public  
23 Lands has no objection to the use of that name again for this  
24 unit. I wanted to mention that for clarity.

25 MR. PICKENS: I would like to mention again that we

1 do have some critical lease dates and expeditious action on  
2 the part of the Commission will certainly be appreciated.

3 MR. STAMETS: Anything further in this case? We  
4 will take the case under advisement.

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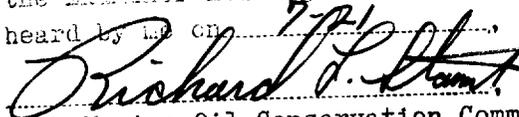
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REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand 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.

  
Sidney F. Morrish, C.S.R.

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I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 5715  
heard by me on 7/7/76, 1976  
  
Richard J. Hunt, Examiner  
New Mexico Oil Conservation Commission

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