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MR. UTZ: We will now call Case Number 3128.

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

The Record will show the same appearances and the same witnesses as in the previous Case; and also let it be shown that the witnesses were sworn in the previous Case.

MR. MORRIS: Let's get the Unit Agreement marked.

(Whereupon, Applicant's Exhibit Number One marked for identification.)

O. V. LAWRENCE, called as a witness herein, and having previously been duly sworn on oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. MORRIS:

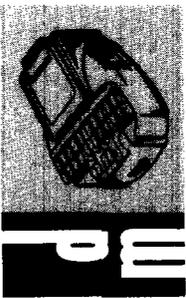
Q Mr. Lawrence, are you the same O. V. Lawrence that testified in the previous Case, 3127?

A I am.

Q What is it, Mr. Lawrence, that Shell Oil Company seeks by its Application in Case 3128?

A We seek approval of the Grama Ridge Unit Area comprising 3,052 acres, more or less, of Federal and State lands in Townships 21 and 22 South, Range 34 East, Lea County, New Mexico.

Q I will refer to what has been marked as Exhibit Number One in this Case. Will you state what it is?



A It's the proposed form of the Unit Agreement.

Q Referring to Exhibit "A" to that Unit Agreement, will you state what that is and what it shows?

A Yes. Exhibit "A" is a plat showing the Unit Area and the types of land that are included within the Unit Area. It also includes tract numbers which are keyed to Exhibit "B", as to lease ownership.

Exhibit "A" also shows that we have 1,444.76 acres of Federal land which is 47.34 percent and 1,607.16 acres of State land. This is 52.6 percent.

Q Referring to Exhibit "B" to the Unit Agreement, will you state who the working interest owners are in this Unit Area?

A They are Shell and Gulf.

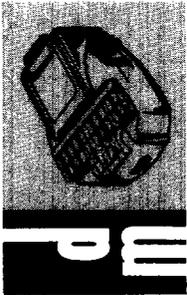
Q Have both of those working interest owners committed their interests to the Unit Agreement?

A Yes, sir. They both agreed to join in the Unit Agreement, both companies.

Q What is the status of the joinder of the overriding royalty interest?

A These owners have been contacted and they are presently considering joining.

Q This Unit, you say, includes both Federal and State lands. Have you contacted the U.S.G.S. concerning approval of the



Unit Agreement?

A Yes, sir. We have and we have obtained preliminary approval from the acting director of the Unit Area.

Q Have you contacted the State Land Office?

A Yes, sir, we have, and they are presently considering the matter.

Q What is the form of your Agreement, Mr. Lawrence?

A The form is the suggested form where Federal and State lands are involved, and it has previously been approved by both the Commissioner and the Director, and also the Commission.

Q Under the Unit Agreement who is the Unit Operator?

A Shell Oil Company.

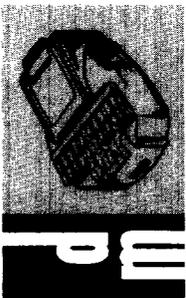
Q And what formations are unitized?

A All formations.

Q Under the Unit Agreement what will be Shell Oil Company's drilling obligation in its capacity as Unit Operator?

A Under Paragraph Nine it's provided that a Unit test will be commenced within six months after approval by the Commissioner and the Director. This test is to be drilled to the Silurian formation or until unitized. In no event is the operator required to drill in excess of 4,800 feet.

Q Was Exhibit One prepared by you or under your direction?



A Yes, sir, it was.

MR. MORRIS: As in the previous case, Mr. Examiner, we will have Mr. Stoesz available as a geological expert witness who will also testify concerning the location of the initial well in this Unit Area.

At this time we will offer Exhibit Number One into evidence.

MR. UTZ: Without objection Applicant's Exhibit Number One will be entered into the Record of this Case.

Are there any questions of the witness?

(No response.)

MR. UTZ: The witness may be excused.

(Witness excused.)

L. W. S T O E S Z, called as a witness herein, having previously been first duly sworn on oath, was examined and testified as follows:

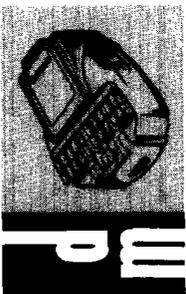
DIRECT EXAMINATION

BY MR. MORRIS:

Q Mr. Stoesz, are you the same Mr. Stoesz that testified in Case 3127 and had your qualifications accepted as a matter of record?

A I am.

Q Are you familiar with the geology in the proposed Grama Ridge Unit Area?



A Yes, sir.

Q Referring to what has been marked as Exhibit's Two and Three in this Case, would you explain the structure and the general geology in this Unit Area?

A This prospect was disclosed by seismic mapping, the control of which is shown on both enclosures two and three, as heavy black lines along the Section lines and fill-in lines, as near to detail the structure. The seismic work indicated a seismic anomaly, seismic anticline, and shallow and deeper levels enclosure.

"Two" is a map of a reflection in the Permian Bone Springs formation at a depth of approximately 8,000 feet, which indicates 100 to 150 feet of closure.

Enclosure Three illustrates the interpreted depth structure near the Mississippian. The map was drawn as a dip map because generally dip seismic reflections are unreliable; but the map does illustrate that we have good north, northeast, east, and south dips with a fault indicated along the northwest side of the structure. The objectives are both Morrow and Sandstone, which are productive in Bell Lake, Bell Lake North, and the Antelope Ridge Fields and Morrow Sandstone, which is productive at Antelope Ridge.

The Unit outline as being illustrated on Enclosure Two

is drawn to include all structure above the lowest closing contour and abuts to the northwest, the South Wilson Deep Unit. The location is shown to be near the center of Section 4.

Q In your opinion, Mr. Stoesz, the location of the additional well will be a fair test of the prospects in this area?

A Yes, sir.

Q Were Exhibit's Two and Three prepared by you or under your direction?

A Yes, sir.

MR. MORRIS: We offer those Exhibits into evidence.

MR. UTZ: Without objection Exhibit's Two and Three will be admitted into the record of this Case.

(Whereupon, Applicant's Exhibit's Two and Three admitted into evidence.)

MR. MORRIS: That is all I have of Mr. Stoesz.

MR. UTZ: Are there any other questions of the witness?

(No response.)

MR. UTZ: The witness may be excused.

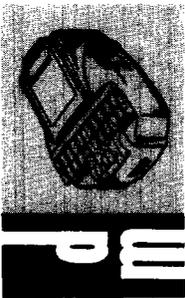
Are there any other statements in this Case?

(No response.)

The Case will be taken under advisement.

(Whereupon, the taking of the hearing was concluded.)

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I N D E X

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<u>NUMBER</u>	<u>MARKED FOR IDENTIFICATION</u>	<u>OFFERED</u>	<u>ADMITTED</u>
Exhibit One	2	5	5
Exhibit Two	6	7	7
Exhibit Three	6	7	7

