

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
December 14, 1965

EXAMINER HEARING

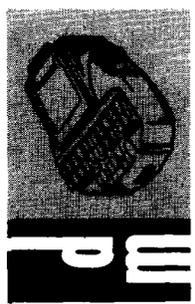
IN THE MATTER OF:)
Application of Shell Oil Company for a unit)
agreement, Lea County, New Mexico.)
Applicant, in the above-styled cause, seeks)
approval of the North Antelope Ridge Unit)
Area comprising 4,480 acres, more or less,)
of Federal, State and Fee lands in)
Township 23 South, Range 34 East, Lea)
County, New Mexico.)

Case No. 3354

BEFORE: Elvis A. Utz, Examiner.

TRANSCRIPT OF HEARING

dearnley-meier
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MR. UTZ: Application of Shell Oil Company for a unit agreement.

MR. MORRIS: If the Examiner, please. I'm Richard Morris of Seth, Montgomery, Federici and Andrews of Santa Fe, New Mexico, appearing for Shell Oil Company in this case. We will have two witnesses: Mr. Clark who will testify with respect to land matters and Mr. Stoesz who will testify with respect to the prospect. I ask that they both stand and be sworn.

(Witnesses sworn.)

(Whereupon, Applicant's Exhibits 1 and 2 marked for identification.)

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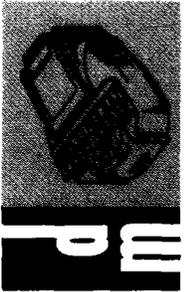
DIRECT EXAMINATION

BY MR. MORRIS:

Q Mr. Clark, will you state name, where you live, by whom you are employed and in what capacity?

A My name is Robert A. Clark. I'm employed by the Shell Oil Company and I reside in Midland, Texas. I am manager of Shell's Midland Base, Western Division, Land Department.

Q Have you previously testified before the Commission or one of its examiners?



A I have not.

Q Would you briefly outline your education and your experience in the oil industry?

A I have a Bachelor of Science degree in Business Administration from Washington University in St. Louis in 1947. I have a Bachelor in Foreign Trade from the American Institute for Foreign Trade in Phoenix, Arizona, in '48. Outside the industry, but I spent two years with the National Bank of Boston until '50 and then joined Shell in the beginning of '51 and for the last fourteen and a half years I have been in the Shell Land Department in the Midland area.

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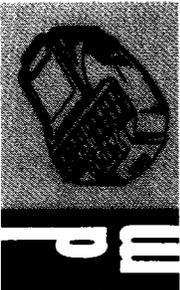
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MR. UTZ: Yes, they are.

Q (By Mr. Morris) Have you participated in the formation and the signup of the North Antelope Ridge Unit?

A I have. I have personally participated starting in January and since the middle of the Summer I have handled the thing myself.

Q What type of unit is proposed in this North Antelope Ridge Area?



A We are proposing an exploratory type standard Federal unit and it contains State, Federal and fee acreage.

Q Now if you will refer, Mr. Clark, to the Shell's Exhibit Number 1 in this case and turn to Exhibit A which is the plat attached to that Exhibit Number 1, will you point out the pertinent features of that Exhibit A?

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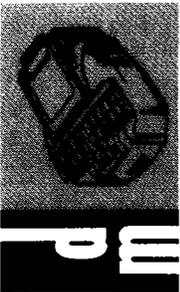
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A Yes, sir. There are 1280 acres of Federal lands, comprising 28.57 per cent of the unit; 2520 acres of State lands comprising 56.25 per cent; and 680 acres of fee lands comprising 15.18. Exhibit A shows the various tract numbers which are keyed over to ownership as shown in Exhibit B?

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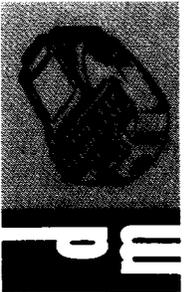
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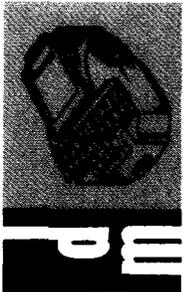
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we have contacted ours and have one ratification back a copy of their request for joinder so I know what they've done and I'm not sure as to the status of the one mineral owner under the Superior tract which would be Tract 5 but they will be asked.

Q The working interests owners are handling and seeking the joinder of the overriding royalty interests that exist within their respective tracts?

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Q Now, with respect to the royalty interest, you said earlier that you had Federal, State and fee lands involved. What is the status of your negotiations with the Federal government?

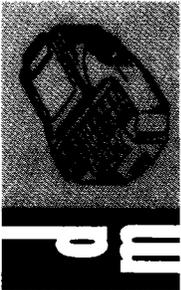
A The Federal government has issued us their letter officially designating this as a logical area and agreed to join.

Q Of the U.S.G.S.?

A By the U.S.G.S. and a letter from the B.L.M. in Washington.

Q What is the status of your negotiations with the State of New Mexico?

A The Land Office has given us preliminary approval. They have in their possession a copy of our agreement and they are looking it over now as to form and context. Mrs Ray asked



me to drop by, as a matter of fact, this afternoon before I leave for any comments she might have as to the form.

Q Now to some extent, you have already covered the situation with respect to the fee tracts, leaseholds, in Section 12. Are there other fee lands in the area?

A There is one other 40-acre tract in Section 23 which belongs to Merchant Livestock Company which Shell owns leasehold state.

Q You are referring to Tract 17?

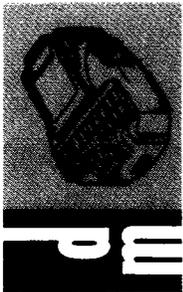
A Tract 17, yes, sir. We will actively pursue their joinder and Superior is at the present time. They are in the process of sending out requests for joinder of all the royalty interests in Section 12.

Q Then do I understand that each working interest owner, overriding royalty interest owner and royalty interest owner will be given the opportunity to join in this unit? Is that your intention?

A They will not only be given the opportunity, we will actively pursue their joinder because it is beneficial to our interests to the unit.

MR. UTZ: As I understand it, none of the royalty interest in Section 12 is actually signed yet?

THE WITNESS: Not to my knowledge. Each company is handling its own. If Superior wants to delay just a little



bit longer than the rest of us in getting final management approval and I got a telegram from them yesterday at the LaFonda stating that they had agreed to it and they were signing and returning by mail so I presume that they would have to wait until yesterday before they could ask others to join since they didn't have approval themselves but I have furnished Superior with forty-five to fifty copies of the unit agreement and they will mail a copy to each royalty owner.

MR. UTZ: So, you have something less than 91.5 per cent royalty signed up?

THE WITNESS: Of the royalty interests, yes, sir.

MR. UTZ: Substantially less, probably.

THE WITNESS: At this very moment I would say "substantially", yes.

Q (By Mr. Morris) The Federal and State lands together comprise almost 85 per cent of your unit area?

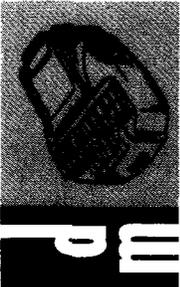
A Right.

Q So, you would have at least 85 per cent of the royalty interests?

A We have 85 per cent plus at this time.

Q All right.

A I think that there is a very good case for their joinder and I anticipate that at least those who understand it that they will want to join so I don't anticipate any problems



along those lines.

Q Just to make it completely clear now Mr. Clark as to the situation in Section 12, you have not approached these fee owners in Section 12 for their joinder in the unit at this time because Superior at this time is actively trying to lease these tracts?

A That is correct.

Q Then if Superior is able to lease the tracts, Superior's lease will be committed to the unit and they will attempt to obtain their joinder in the unit by their royalty interests?

A That is correct.

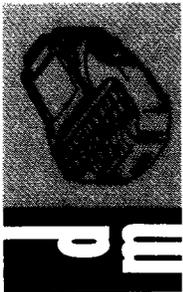
Q If they remain unleased in Section 12 and Superior is not able to obtain the lease then Shell Oil will offer these people insofar as they are known to the best of your ability, it is your intention to offer to each of these unleased interests the opportunity to commit that interest to the unit?

A We shall.

Q All right. Turning to the unit agreement itself, you stated earlier that was a standard Federal form of unit?

A That's right. A standard Federal form for exploratory type units.

Q Under the unit agreement who is named as unit operator?



A Shell is named as the unit operator.

Q What formations are unitized?

A All formations are to be unitized.

Q What will be the initial drilling obligation as specified in the unit agreement?

A We are obligated to drill a 14,800 foot Siluro-Devonian test. Well, I should state it a little differently: We are obligated to drill a Siluro-Devonian test not to exceed 14,800 feet unless production is encountered at a lesser depth.

Q Does the unit agreement contain the standard provisions with respect to non-joinder and subsequent joinder?

A It does.

Q MR. MORRIS: At this time, Mr. Examiner, we offer into evidence Shell's Exhibit Number 1 in this case.

MR. UTZ: Without objection, Exhibit Number 1 will be offered in the record.

(Whereupon, Applicant's Exhibit 1 was offered and admitted into evidence.)

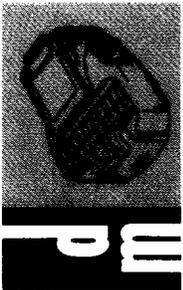
MR. MORRIS: That's all we have on direct of Mr. Clark.

MR. UTZ: You have a geological witness to follow?

MR. MORRIS: Yes.

MR. UTZ: Any other questions of the witness? If not, he may be excused.

(Witness was excused.)



L. W. S T O E S Z, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. MORRIS:

Q Mr. Stoesz, will you please state your name, where you reside, by whom you are employed and in what capacity?

A I am L. W. Stoesz. I'm employed by Shell Oil Company as Division Exploration Manager for the Western Division at Midland, Texas.

Q Have you previously testified before the Commission or one of its Examiners and had your qualifications made a matter of record?

A Yes, I did and they were.

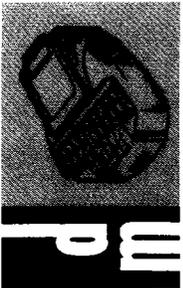
Q Are you familiar with the application of Shell Oil Company in this case?

A Yes.

Q Where is the North Antelope Ridge Unit Area located with respect to other developments in this area?

A North Antelope Ridge, as proposed, is immediately north of the four-well Pennsylvanian and Siluro-Devonian Antelope Ridge Hills is about two to three miles east of the Pennsylvanian and Devonian Bell Lake Field.

Q What are your prospects in this unit and would you briefly describe the features of the prospect?



A The prospect is a deeply buried anticline detected by seismic mapping. It is a structure with the northward extending Antelope Ridge structure. Seismic mapping indicates about 400 feet of closure and the structure is separated from Antelope Ridge Field to the south by a well-defined syncline and is separated from Bell Lake Field to the west by a deep pronounced syncline.

The objectives are a Siluro-Devonian. The Secondary objectives are the Pennsylvanian.

Q Do you have a statement prepared in written form, Mr. Stoesz, describing the prospect?

A Yes, I do.

Q I hand you what has been marked Applicant's Exhibit Number 2 and ask you if that is the statement that I just referred to ?

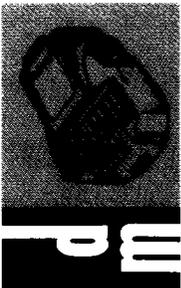
A Yes, sir.

Q Was that prepared by you?

A Under my supervision, yes, sir.

Q Mr. Stoesz, in your opinion does the unit area, as proposed, thoroughly cover the structure that you believe to exist in this unit area?

A Yes, it does. The unit outline is determined by the lowest closing structural contour which encompasses all of the significant parts of the seven sections included in the unit.



Q Is there any degree of urgency required, Mr. Stoesz, for the approval of the unit agreement?

A Yes, sir.

Q Would you state what that is?

A We have several operators in the unit. This is an expensive test and they have budgeted their money for this year and all have indicated a desire to commence the test during 1965.

MR. MORRIS: We offer Shell Oil Company's Exhibit Number 2 into evidence.

MR. UTZ: Without objection, Exhibit Number 2 will entered into the record in this Case.

(Whereupon, Applicant's Exhibit 2 was offered and admitted into evidence.)

MR. MORRIS: May we go off the record for just a moment?

MR. UTZ: Yes.

(Whereupon, an off the record discussion was held.)

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Stoesz, I believe your statement said that you were going to drill a well in Section 22 in the questioned unit. Section 22 is in the extreme southeast quarter of this unit so it must not be a very symmetrical unit, is that true?



A You're correct. It is asymmetrical elongate toward the northeast. The highest part of the structure is at the indicated drill site and as we indicated in the report, this is also the area of best seismic data.

Q And as far as the northeast portion of the unit, I would gather that it does flare out in that area?

A Yes, sir.

Q Because of the four section area?

A Yes, sir.

Q Now, is it narrow enough to be included within a northwest and southwest corners of Section 24?

A Section 14 I believe it is.

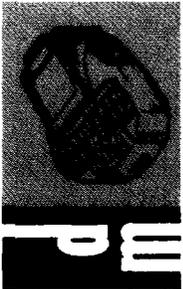
Q In other words, the narrow part of the unit is diagonally northwest, southeast of Section 14?

A Yes. The problem here is steep dip. A part of Section 13, of course, is the east part of Section 13 is low, but we have had to include it in this part of 13 because we have all of 14 because a significant part of it is in the lowest part that we have encountered.

Q And as far as your closing contour is concerned on your seismic picture, it is definitely all within the unit?

A Yes, sir.

MR. UTZ: That pretty well describes it. Any other questions of the witness? The witness may be excused.



Are there any further statements in this case?

The case will be taken under advisement.

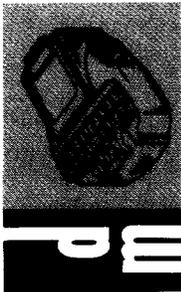
MR. MORRIS: Thank you.

(Whereupon, Case Number 3354
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I N D E X

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E X H I B I T S

<u>Exhibit</u>	<u>Marked for Identification</u>	<u>Offered</u>	<u>Admitted</u>
App's. 1	2	11	11
App's. 2	2	14	14



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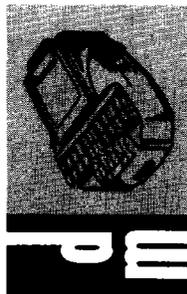
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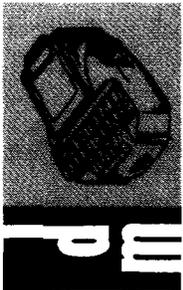
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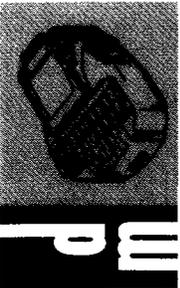
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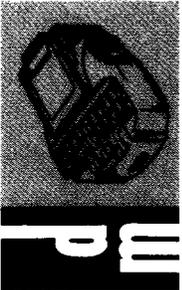
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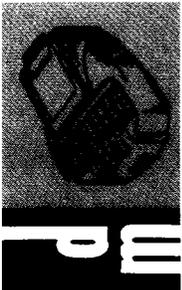
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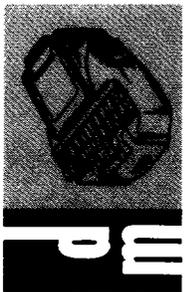
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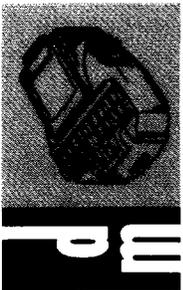
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A The Land Office has given us preliminary approval. They have in their possession a copy of our agreement and they are looking it over now as to form and context. Mrs Ray asked



me to drop by, as a matter of fact, this afternoon before I leave for any comments she might have as to the form.

Q Now to some extent, you have already covered the situation with respect to the fee tracts, leaseholds, in Section 12. Are there other fee lands in the area?

A There is one other 40-acre tract in Section 23 which belongs to Merchant Livestock Company which Shell owns leasehold state.

Q You are referring to Tract 17?

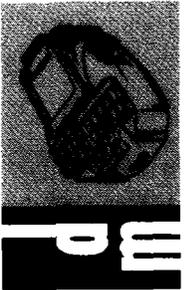
A Tract 17, yes, sir. We will actively pursue their joinder and Superior is at the present time. They are in the process of sending out requests for joinder of all the royalty interests in Section 12.

Q Then do I understand that each working interest owner, overriding royalty interest owner and royalty interest owner will be given the opportunity to join in this unit? Is that your intention?

A They will not only be given the opportunity, we will actively pursue their joinder because it is beneficial to our interests to the unit.

MR. UTZ: As I understand it, none of the royalty interest in Section 12 is actually signed yet?

THE WITNESS: Not to my knowledge. Each company is handling its own. If Superior wants to delay just a little



bit longer than the rest of us in getting final management approval and I got a telegram from them yesterday at the LaFonda stating that they had agreed to it and they were signing and returning by mail so I presume that they would have to wait until yesterday before they could ask others to join since they didn't have approval themselves but I have furnished Superior with forty-five to fifty copies of the unit agreement and they will mail a copy to each royalty owner.

MR. UTZ: So, you have something less than 91.5 per cent royalty signed up?

THE WITNESS: Of the royalty interests, yes, sir.

MR. UTZ: Substantially less, probably.

THE WITNESS: At this very moment I would say "substantially", yes.

Q (By Mr. Morris) The Federal and State lands together comprise almost 85 per cent of your unit area?

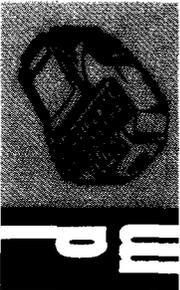
A Right.

Q So, you would have at least 85 per cent of the royalty interests?

A We have 85 per cent plus at this time.

Q All right.

A I think that there is a very good case for their joinder and I anticipate that at least those who understand it that they will want to join so I don't anticipate any problems



along those lines.

Q Just to make it completely clear now Mr. Clark as to the situation in Section 12, you have not approached these fee owners in Section 12 for their joinder in the unit at this time because Superior at this time is actively trying to lease these tracts?

A That is correct.

Q Then if Superior is able to lease the tracts, Superior's lease will be committed to the unit and they will attempt to obtain their joinder in the unit by their royalty interests?

A That is correct.

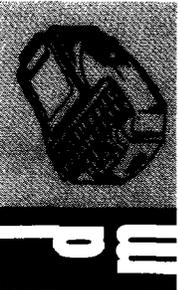
Q If they remain unleased in Section 12 and Superior is not able to obtain the lease then Shell Oil will offer these people insofar as they are known to the best of your ability, it is your intention to offer to each of these unleased interests the opportunity to commit that interest to the unit?

A We shall.

Q All right. Turning to the unit agreement itself, you stated earlier that was a standard Federal form of unit?

A That's right. A standard Federal form for exploratory type units.

Q Under the unit agreement who is named as unit operator?



A Shell is named as the unit operator.

Q What formations are unitized?

A All formations are to be unitized.

Q What will be the initial drilling obligation as specified in the unit agreement?

A We are obligated to drill a 14,800 foot Siluro-Devonian test. Well, I should state it a little differently: We are obligated to drill a Siluro-Devonian test not to exceed 14,800 feet unless production is encountered at a lesser depth.

Q Does the unit agreement contain the standard provisions with respect to non-joinder and subsequent joinder?

A It does.

Q MR. MORRIS: At this time, Mr. Examiner, we offer into evidence Shell's Exhibit Number 1 in this case.

MR. UTZ: Without objection, Exhibit Number 1 will be offered in the record.

(Whereupon, Applicant's Exhibit 1 was offered and admitted into evidence.)

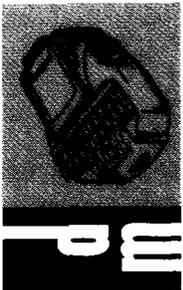
MR. MORRIS: That's all we have on direct of Mr. Clark.

MR. UTZ: You have a geological witness to follow?

MR. MORRIS: Yes.

MR. UTZ: Any other questions of the witness? If not, he may be excused.

(Witness was excused.)



L. W. S T O E S Z, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. MORRIS:

Q Mr. Stoesz, will you please state your name, where you reside, by whom you are employed and in what capacity?

A I am L. W. Stoesz. I'm employed by Shell Oil Company as Division Exploration Manager for the Western Division at Midland, Texas.

Q Have you previously testified before the Commission or one of its Examiners and had your qualifications made a matter of record?

A Yes, I did and they were.

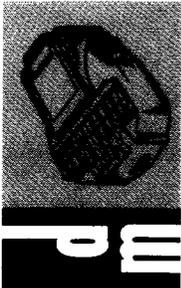
Q Are you familiar with the application of Shell Oil Company in this case?

A Yes.

Q Where is the North Antelope Ridge Unit Area located with respect to other developments in this area?

A North Antelope Ridge, as proposed, is immediately north of the four-well Pennsylvanian and Siluro-Devonian Antelope Ridge Hills is about two to three miles east of the Pennsylvanian and Devonian Bell Lake Field.

Q What are your prospects in this unit and would you briefly describe the features of the prospect?



A The prospect is a deeply buried anticline detected by seismic mapping. It is a structure with the northward extending Antelope Ridge structure. Seismic mapping indicates about 400 feet of closure and the structure is separated from Antelope Ridge Field to the south by a well-defined syncline and is separated from Bell Lake Field to the west by a deep pronounced syncline.

The objectives are a Siluro-Devonian. The Secondary objectives are the Pennsylvanian.

Q Do you have a statement prepared in written form, Mr. Stoesz, describing the prospect?

A Yes, I do.

Q I hand you what has been marked Applicant's Exhibit Number 2 and ask you if that is the statement that I just referred to ?

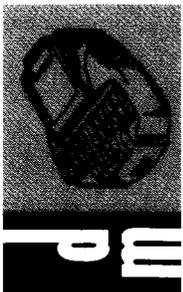
A Yes, sir.

Q Was that prepared by you?

A Under my supervision, yes, sir.

Q Mr. Stoesz, in your opinion does the unit area, as proposed, thoroughly cover the structure that you believe to exist in this unit area?

A Yes, it does. The unit outline is determined by the lowest closing structural contour which encompasses all of the significant parts of the seven sections included in the unit.



Q Is there any degree of urgency required, Mr. Stoesz, for the approval of the unit agreement?

A Yes, sir.

Q Would you state what that is?

A We have several operators in the unit. This is an expensive test and they have budgeted their money for this year and all have indicated a desire to commence the test during 1965.

MR. MORRIS: We offer Shell Oil Company's Exhibit Number 2 into evidence.

MR. UTZ: Without objection, Exhibit Number 2 will entered into the record in this Case.

(Whereupon, Applicant's Exhibit 2 was offered and admitted into evidence.)

MR. MORRIS: May we go off the record for just a moment?

MR. UTZ: Yes.

(Whereupon, an off the record discussion was held.)

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Stoesz, I believe your statement said that you were going to drill a well in Section 22 in the questioned unit. Section 22 is in the extreme southeast quarter of this unit so it must not be a very symmetrical unit, is that true?

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A You're correct. It is asymmetrical elongate toward the northeast. The highest part of the structure is at the indicated drill site and as we indicated in the report, this is also the area of best seismic data.

Q And as far as the northeast portion of the unit, I would gather that it does flare out in that area?

A Yes, sir.

Q Because of the four section area?

A Yes, sir.

Q Now, is it narrow enough to be included within a northwest and southwest corners of Section 24?

A Section 14 I believe it is.

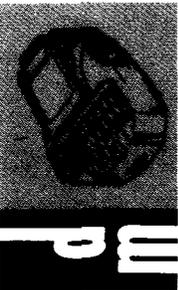
Q In other words, the narrow part of the unit is diagonally northwest, southeast of Section 14?

A Yes. The problem here is steep dip. A part of Section 13, of course, is the east part of Section 13 is low, but we have had to include it in this part of 13 because we have all of 14 because a significant part of it is in the lowest part that we have encountered.

Q And as far as your closing contour is concerned on your seismic picture, it is definitely all within the unit?

A Yes, sir.

MR. UTZ: That pretty well describes it. Any other questions of the witness? The witness may be excused.



Are there any further statements in this case?

The case will be taken under advisement.

MR. MORRIS: Thank you.

(Whereupon, Case Number 3354
was concluded.)

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I N D E X

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E X H I B I T S

<u>Exhibit</u>	<u>Marked for Identification</u>	<u>Offered</u>	<u>Admitted</u>
App's. 1	2	11	11
App's. 2	2	14	14

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