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November 16, 2010

**Mr. Daniel Sanchez**  
**Enforcement & Compliance Manager**  
**New Mexico Oil Conservation Division**  
**1220 South St. Francis**  
**Santa Fe, NM 87505**

**Re: Reporting Practices of Shell Exploration and Production Company**

- |   |  |
|---|--|
| 1. Latigo Ranch 2-34<br>API 30-019-20136<br>T10N, R23E, Section 34  | 4. Webb 3-23<br>API 30-019-20135<br>T11N, R27E, Section 23 |
| 2. Latigo Ranch 3-5<br>API 30-019-20137<br>T10N, R23E, Section 5    | 5. Webb CD#1<br>API 30-019-20134<br>T11N, R23E, Section 25 |
| 3. Latigo Ranch 3-33<br>April 30-019-20138<br>T10N, R23E, Section 3 |  |

Dear Mr. Sanchez:

My client, Farleigh Oil Properties (Farleigh) hereby requests a compliance proceeding be held under Rule 19.15.5.10.B.(1) NMAC for SWEPI LP's (Shell's) failure to comply with Rule 19.15.7.10 NMAC, and specifically Rule 19.15.7.16.A NMAC.

More specifically, Shell has blatantly disregarded the Division's Rules related to timely reporting of well completion reports (Form C-105) and submission of appropriate logs and further, Shell has not complied with Ed Martin's letter dated August 31, 2010, formally requesting the subject data. IHS Energy, an industry record company, reports the following log suites run for each of the captioned lands: A dual induction, compensated density, compensated neutron, caliper, spontaneous potential, and gamma ray. Four of the five captioned wells have two logs submitted, a mud log and a "layout" log in an unusable scale to accommodate analysis and no other logs. Shell has appropriately filed with the State for the Webb CD #1 well all ten

logs in conventional formatting. Shell has not reported properly and conventionally data required in Form C-105, items 25-31, singularly for multiple zones for any of the captioned wells. Further, Shell has not submitted any special tests especially drill stem tests as required by rule and specifically requested by Mr. Martin in his August 31, 2010 letter.

A complete review of the missing log information follows:

The SWEPI Limited Partnership wells have posted on the New Mexico website the following logs:

#1 Webb CD: 10 logs posted including (1) Array Induction Gamma Ray, (2) Compensated Neutron/Density, (3) Dipole Sonic, (4) Natural Gamma Ray Spectrometry, (5) compact photo density compensated neutron microresistivity, (6) high resolution compensated sonic caliper, (7) compensated sonic with integrated travel time, (8) spectral pe density compensated neutron, (9) array induction shallow focused electric log, and (10) dual induction spherically focused log.

Webb #3-23: 2 logs posted including (1) mud log, and (2) "layout" log.

Latigo Ranch #2-34: 2 logs posted including (1) mud log, and (2) "layout" log.

Latigo Ranch #3-5: 2 logs posted including (1) mud log, and (2) "layout" log.

Latigo Ranch #33: 2 logs posted including (1) mud log, and (2) "layout" log.

Scout Tickets from IHS Energy Services lists all the logs run for the #1 Webb CD and all logs are posted on the New Mexico website.

Scout Tickets from IHS Energy Services list logs run for the Webb #3-23 as Dual Induction, Compensated Density, Compensated Neutron, Caliper, Spontaneous Potential, and Gamma Ray. These logs as run on location are not posted in an industry standard format on the website. A Mud Log and a Gamma Ray/Neutron porosity ("layout" log, an internal Shell plot) for partial depths is posted, the scale of this log is compressed as to make it impossible to read values at a given depth.

Scout Tickets do not list the logs run for the Latigo Ranch #2-34 or the Latigo Ranch #3-5. For each of these wells a Mud Log and a Gamma Ray/Neutron porosity ("layout" log, an internal Shell plot) for partial depths is posted, the scale of this log is compressed as to make it impossible to read values at a given depth.

Scout Tickets from IHS Energy Services lists logs run for the Latigo Ranch #3-3 as Gamma Ray, Resistivity, Porosity, Neutron, and Sonic Log. These logs as run on location are not posted in an industry standard format on the website. A Mud Log and a Gamma Ray/Neutron porosity ("layout" log, an internal Shell plot) for partial depths is posted, the scale of this log is compressed as to make it impossible to read values at a given depth.

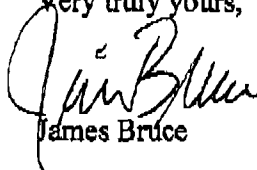
The proper posting procedure was followed for the #1 Webb CD well, but not for any of the other wells requested.

Shell's continued disregard of the Division's Rules and specific written instructions is, at best, improper. Although Mr. Martin's letter tacitly accepts Shell's submitted Form C-105's for the captioned wells, they do not comply with the instructions within the C-105 form thereby violating Rule 19.15.7.16 NMAC. For example, Form C-105, revised June 10, 2003, and Form C-105, revised July 17, 2008, clearly state within the Instructions, page 2: "For multiple completions, items 25-29 should be reported for each zone," and "For multiple completions, items 11, 12 and 26-31 shall be reported for each zone," respectively. Shell's reporting does not report each zone separately; rather, it reports all tests collectively without identifying the zone and averages the cumulative production for a misreported MCF/24 hours (Item 28). Shell correctly identifies multiple "oil or gas sands or zones" (up to 12 zones) on page 2 of their C-105's for each well, but they report the gas production cumulatively rather than as instructed within the form as cited above. Obviously, the individual zone should be reported separately so the Division and the public can evaluate what zone is productive and which zone is not productive. This misreporting is purposeful and misleading and does not comply with the New Mexico reporting requirements.

Shell's obvious intention to hide data from the public by disregarding the Rules and specific instruction from the Division has been successful.

Pursuant to Rule 19.15.5.8 NMAC, we herein request the Division enforce its Rules related to Form C-150 and insist that Shell submit appropriate copies of all logs run on the captioned wells and complete C-105 forms appropriately and honestly.

Very truly yours,



James Bruce

cc: Tom Swanson  
Ed Martin, District Supervisor  
Dr. David W. Bowen