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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
March 18, 1964

REGULAR HEARING

IN THE MATTER OF:

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

Case No. 3011

BEFORE: Honorable Jack M. Campbell, Governor
C. L. (Pete) Porter, Secretary-Director

TRANSCRIPT OF HEARING



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MR. PORTER: Case 3011

MR. DURRETT: Application of Shell Oil Company for a
unit agreement, Eddy County, New Mexico.

MR. MORRIS: May it please the Commission, I am Richard
Morris, of Seth, Montgomery, Federici and Andrews, of Santa Fe,
New Mexico, appearing in this case on behalf of the applicant,
Shell Oil Company. We will have two witnesses in this case. Mr.
O. V. Lawrence will testify with respect to the land matters
involved and Mr. Mark Robinson will testify with respect to the
geological aspects of the case. I ask that they be sworn, please.

DEARNLEY, MEIER, WILKINS and CROWNOVER

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(Witnesses sworn)

MR. PORTER: May I ask at this time if there are any other appearances in the case? Mr. Morris, you may proceed with your first witness.

O. V. LAWRENCE,

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

DIRECT EXAMINATION

BY MR. MORRIS:

Q Mr. Lawrence, please state your name, by whom you are employed, in what capacity and where you are located?

A O. V. Lawrence, Shell Oil Company, Roswell Division Land Manager, Roswell, New Mexico.

Q Mr. Lawrence, have you previously testified before the New Mexico Oil Conservation Commission, or one of its examiners and had your qualifications as an expert witness in land matters accepted?

A I have.

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

A I am.

MR. MORRIS: May Mr. Lawrence testify as an expert witness?



MR. PORTER: Yes, his qualifications are acceptable, Mr. Morris.

Q (By Mr. Morris) Mr. Lawrence, what is it that Shell seeks by the application in Case No. 3011?

A Approval of the Wagontire Unit area comprising 8,054 acres more or less in Township 23 South, Range 23 East, Eddy County, New Mexico.

Q I would refer you at the outset, Mr. Lawrence, to what has been marked as Exhibit Number One in this case, and ask you to state what that exhibits?

A It is a plat which is shown to be Exhibit A to the unit agreement, and it shows the proposed unit area.

Q Now, Exhibit One is the unit agreement itself; is that correct?

A I am sorry, I misunderstood how you have numbered the exhibits.

Q Exhibit One is the unit agreement for the Wagontire Unit area.

A All right, sir. Yes.

Q Then, attached to that exhibit is an exhibit, which is Exhibit A, a plat showing the outline of the unit area; is that correct?

A That is true, yes.

Q Referring to Exhibit A of the unit agreement, would you



explain what that shows?

A Exhibit A is a plat showing the proposed unit area and it also has the outline of the unit. It shows the acreage in the unit being Federal, State and patented land. It is all coded on the exhibit. It also shows the number of Federal acreage involved which is 6,800.53, and State land is 640 and patented land is 560 acres. It also shows the tract numbers which are keyed into Exhibit B of the unit agreement.

Q Referring to that Exhibit B of the unit agreement, what does that show?

A Exhibit B shows the various tracts in the unit area. The description of the land covered by each tract, the working interest owner, the royalty owner, the overriding royalty owner, and, I believe that pretty well covers it.

Q Who are the working interest owners in this proposed unit?

A There are 11 working interest owners, being Shell, Union, L. C. Harris, Joseph Seagram, Jacqueline Anderson, Baird Oil Company, Mobil, Fehrman and Holt, Monsanto, Skelly and International Oil and Gas.

Q Of these working interests that you have just named, how many of them have committed their interest to the unit agreement?

A All of the working interests have already, or have agreed



to commit their interest to the Wagontire Unit.

Q That would be with respect to Federal, State and patented lands?

A Yes, sir.

Q Concerning just the patented land for the moment, Mr. Lawrence, what is the status of the joinder of the royalty owners in those lands?

A All of the royalty owners have been contacted, and the royalty ownership is unfiled throughout the 560 acres of patented land. They are presently considering joining the unit.

Q Has the unit agreement been presented to the United States Geological Survey?

A Yes, sir, it has and the Director has given preliminary approval.

Q Has the unit agreement been presented to the New Mexico State Land Office?

A It has and it has been approved by the Unit Division as to form.

Q What is the form of the unit agreement, Mr. Lawrence?

A The form is that form which has been accepted by the Director, the Commissioner and also the Commission, where Federal, State and patented lands are involved.

Q Under the unit agreement, who is designated as the unit operator?



A Shell Oil Company.

Q What formations are unitized?

A All formations are unitized in the unit area, as shown in Paragraph Three of the unit agreement.

Q As unit operator, what will be Shell's obligation, drilling obligation, under the unit agreement?

A The drilling obligation is covered under Paragraph Nine of the unit agreement, and briefly it states that a well is to be commenced within six months after the approval of the unit, and that the well is to be drilled to a depth of 8500 feet, or to test the Cisco Canyon or commercial production at a lesser depth.

Q Does the agreement contain any provisions concerning expansion or contraction of the unit area?

A It does have such a provision for expansion and contraction.

Q And under the terms of the unit agreement, what will be the effective date of the agreement?

A The effective date will be when it is approved by the Commissioner and the Director.

Q Was this unit agreement prepared by you or under your direction, Mr. Lawrence?

A It was.

MR. MORRIS: If the Commission please, we offer at this time Exhibit One, which is the unit agreement in this case, and



move its acceptance.

MR. PORTER: Without objection, the exhibit will be admitted.

MR. MORRIS: That is all I have from Mr. Lawrence at this time.

MR. PORTER: Does anyone have a question of Mr. Lawrence? The witness may be excused.

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M. L. ROBINSON,

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

DIRECT EXAMINATION

BY MR. MORRIS:

Q Mr. Robinson, please state your name, by whom you are employed, in what capacity and where you are located?

A M. L. Robinson, Shell Oil Company, Roswell Division Exploration Manager, Roswell, New Mexico.

Q Mr. Robinson, have you testified previously before this Commission or one of its examiners, and had your qualifications as an expert witness in geological matters accepted?

A Yes, sir, I have.

Q Are you familiar with the geology concerned with Shell's application in this case?



A Yes, sir, I am.

MR. MORRIS: Can Mr. Robinson testify as an expert witness in this case?

MR. PORTER: The Commission considers the witness qualified.

Q (By Mr. Morris) Mr. Robinson, if you would refer to what has been marked as Exhibit Number Two in this case, and would you state what that is, please?

A Yes, sir. The exhibit, which I believe is in front of the Governor or Mr. Porter, is a structure map, a seismic structure map which shows an anticline having 225 feet of closure, as mapped on seismic data at pre-Pennsylvanian level, which is somewhat below the objective, Cisco Canyon, we are proposing drilling to. However, this is the best map we could make in this area and based on our experience in this country, we feel it fairly depicts the structure configuration at the Cisco Canyon level where we plan to drill this test.

Q What control was available to you as the basis for preparing this structure map?

A This map is based on approximately a one mill grade work of seismic lines, that are indicated on the plat there in the black. There was no subsurface or surface information used in preparing this map. It is strictly a seismic interpretation.

Q Does your plat also show your proposed location for the



initial well in this unit area?

A Yes, sir, it does. It indicates a location in the Northeast Quarter of the Southeast Quarter of Section 17, Township 23 South, Range 23 East. It is my opinion that a test at this location will fairly evaluate the Cisco Canyon production possibilities on the proposed unit.

Q If production should be obtained from this initial well, Mr. Robinson, will Shell Oil Company, as operator of the unit, have effective control of the productive area of the Cisco Canyon?

A Yes, sir. In my opinion, this unit fairly embraces the closure and enhances the potentially productive area.

Q What are the advantages of operating these lands under the unit form in this particular circumstance, Mr. Robinson?

A It will provide for orderly development and conservation of our natural resources of oil and gas.

Q Mr. Robinson, in your opinion, will approval of this application prevent waste and protect correlative rights?

A Yes, sir, in my opinion, it will.

Q Was Exhibit Number Two prepared by you or under your direction?

A I am afraid I have gotten lost. That is Exhibit Two? Yes, sir.

MR. MORRIS: If the Commission please, we would offer Exhibit Two into evidence at this time, and ask that the Commission



consider Exhibit Number Two as confidential since this is an exploratory unit. Mr. Robinson has indicated his name and address upon this exhibit, and would like to have it returned to him if that would be possible.

MR. PORTER: You mean you want to enter the exhibit, then withdraw it from the record?

MR. MORRIS: No, sir. We offer the exhibit for the evaluation by the Commission in arriving at an order to be entered in this case. However, after the order is entered, we would appreciate the exhibit being returned to Mr. Robinson and being held confidential while it is in the hands of the Commission.

GOVERNOR CAMPBELL: It sounds like to me that you want to have your cake and eat it, too. Can't you offer in evidence a description of some sort instead of offering this?

MR. MORRIS: Governor, in times passed, the Commission Staff has been interested in examining a plat of this sort in arriving at its own independent evaluation of whether the structure fairly covers the unit area and vice versa. However, if the Commission Staff would have no desire to make such an examination we would certainly be happy to withdraw the exhibit at this time and take it with us.

I might be able to be of some help to the Commission. In exploratory units, we customarily make this type of request, however, in this case, Mr. Robinson informs me that if the Commission



would desire it, we would withdraw our qualified offer and just offer it as an exhibit in this case.

MR. PORTER: On that basis, it will be accepted, Mr. Morris, and made a part of the record.

MR. MORRIS: That's all I have to offer.

MR. PORTER: Thank you, sir. Does anyone have a question of Mr. Robinson? He may be excused.

Does anyone have anything further?

GOVERNOR CAMPBELL: It looks like that if it turns out to be a dry hole, he made a big mistake, would have a public record of it, I guess, public record of these engineers' mistakes.

MR. MORRIS: I have my suspicions.

MR. PORTER: The Commission will take the case under advisement.

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STATE OF NEW MEXICO |

COUNTY OF BERNALILLO |

I, ROY D. WILKINS, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and that the same is a true and correct record of the said proceedings, to the best of my knowledge, skill, and ability.

WITNESS my Hand and Seal of Office, this 23rd day of March, 1964.


 NOTARY PUBLIC

My Commission Expires:

September 6, 1967.

DEARNLEY, MEIER, WILKINS and CROWNOVER

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