SHELL OIL COMPANY

Subject: Proposed Testing Procedure
Shell Querecho Plains Unit No.
Lea County, New Mexico

Mr. H. A. Montgomery, Production Manager
New Mexico Oil Conservation Commission
P. O. Box 2045
Hobbs, New Mexico

Dear Sir,

Attached are complete Forms C-1 and C-110 for Shell Querecho Plains Deep Unit No.

After recovering water from the formation, the subject well was plugged back and completed as a gas well in the Atoka sandy section. On test the well displayed a calculated open flow potential of 1,500 MCF/day with a condensate content of 39 barrels per MMCF. Pressure data obtained following the potential test and from drill stem tests conducted during the drilling operations suggest the reservoir is of very limited extent. A copy of the open flow potential test and a tabulation summarizing production and pressure data obtained to date are attached.

The possibility of obtaining a temporary pipeline connection for this gas well has been explored. At present the nearest possible market outlet is some 15 miles away. From the limited production testing we feel this zone has demonstrated a capacity to produce at satisfactory rates. However, all available data indicate the reserves are highly inadequate to support extension of gas sales facilities to serve this well.

While we are reluctant to produce this gas well without a market, it is our opinion that only through further testing and observation can the reserves present in this Atoka reservoir be determined. This knowledge is essential if an outlet for gas is to be obtained and will be of great value in planning for future development within the unit. Therefore, we propose that the well, which is presently shut-in, be opened and produced under controlled conditions in an effort to define the reservoir size. Testing will be accomplished in a manner to minimize the quantity of gas produced, however, we believe that as much as 100 MMCF may have to be produced as a basis for a firm reserve estimate. Liquids recovered during this testing period will be saved.