SHELL OIL COMPANY

P. O. Box 1858
Roswell, New Mexico

October 9, 1961

Subject: Application by Shell Oil Company for Exception to Rules 303(a) and 309(a) of the Rules and Regulations of the New Mexico Oil Conservation Commission.

AIR MAIL

New Mexico Oil Conservation Commission (3)
P. O. Box 871
Santa Fe, New Mexico

Gentlemen:

This letter is an application for exception to rule 303(a) to permit commingling of production from three pools before marketing, and to rule 309(a) to permit movement of oil from a lease without prior measurement in tanks.

We plan to commingle oil production from two proposed wells producing from the Drinkard, McKee and Ellenburger pools. These wells are to be drilled on the Shell State "JM" and "JP" leases, consisting of 40 acres each in the NW/4 NE/4 and NE/4 NW/4, respectively, of Section 2, T-25-S, R-37-E, Lea County, New Mexico. Both of the 40 acre tracts are designated to a common beneficiary, and are designated by different names only because shallow oil rights to the two leases are not similar. Shell Oil Company has deep oil rights (below 3750') on the State "JP" lease and all oil rights on the State "JM" lease.

All three zones in both wells are expected to be capable of top allowable production and will therefore be continuously metered. Production from both wells will be metered through a separator for each zone. Production will be allocated to each well on the basis of monthly well tests.

We plan to install an automatic custody transfer unit to automatically transfer the commingled crude from both wells to the pipeline through a positive displacement meter. In addition to reducing operating and capital expenditures, we believe the proposed installation will conserve resources by reducing evaporation losses and minimizing losses from fire and spillage.

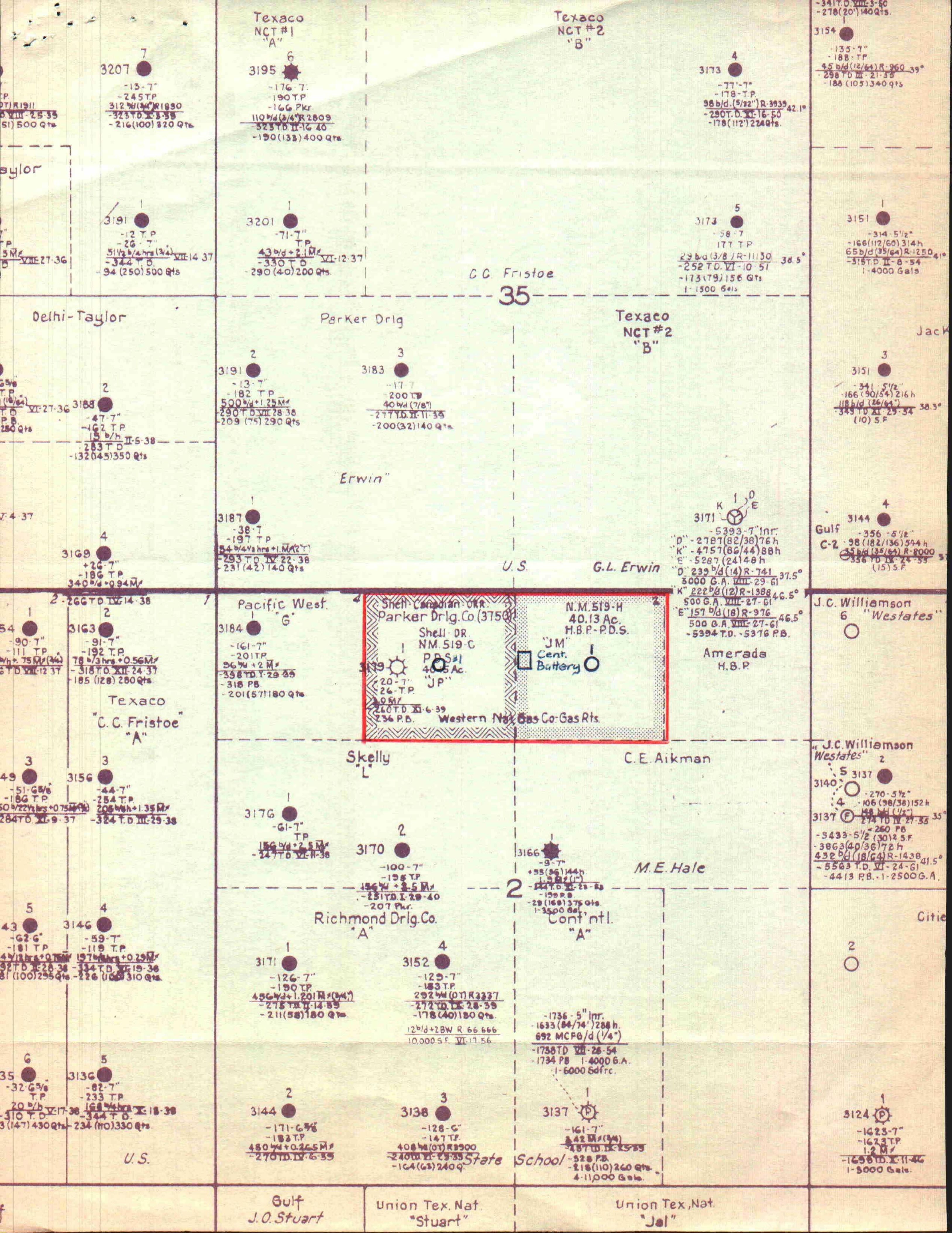
The Drinkard zone is expected to yield 61 barrels per day of 37.5° API oil, and the McKee and Ellenburger zones are each expected to yield 102 barrels per day of 46.5° API oil. The gravity of the commingled oil will be about 44.5° API. The daily production value of the commingled product would be $1632 (two wells), as compared to $1624 if the production from each pool was sold separately.

Attached are schematic diagrams of the proposed installation, well location plats, and written approvals from the State Land Commissioner and the purchaser of the commingled crude.

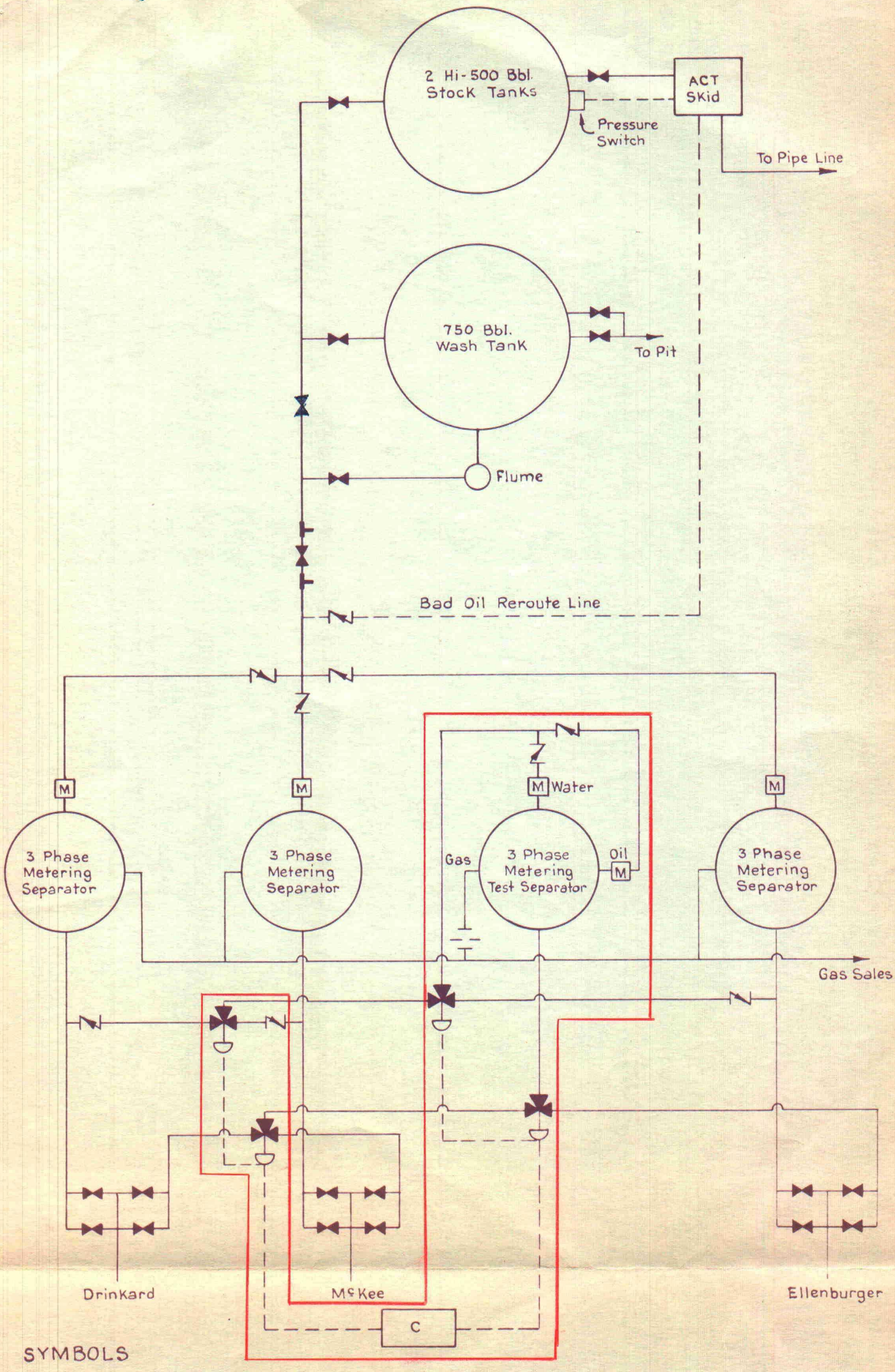
Yours very truly,

for: R. L. Rankin

Attachments



Texaco
NCT #1
"A"
Texaco
NCT #2
"B"
C.C. Fristoe
35
Delhi-Taylor
Parker Drlg
Texaco
NCT #2
"B"
"Erwin"
U.S.
G.L. Erwin
Gulf
C-2
Pacific West.
"G"
Shell-Canadian-ORR.
Parker Drlg. Co. (3750)
Shell-DR.
NM. 519-C
P.D.S. #1
40.5 Ac.
"JP"
N.M. 519-H
40.13 Ac.
H.B.P.-P.D.S.
"JM"
Cent.
Battery
Western Nat. Gas Co-Gas Rts.
Amerada
H.B.P.
J.C. Williamson
"Westates"
Texaco
"C.C. Fristoe"
"A"
Skelly
"L"
C.E. Aikman
J.C. Williamson
Westates"
M.E. Hale
2
Richmond Drlg. Co.
"A"
Cont'ntl.
"A"
U.S.
State School
Gulf
J.O. Stuart
Union Tex. Nat.
"Stuart"
Union Tex. Nat.
"Jal"



SYMBOLS

Check Valve
Block Valve
Three Way Valve (Pneumatic)
Orifice Meter Run
C Pneumatic Control Panel
M Counter
Back Pressure Valve

Equipment enclosed in red to be installed upon completion of second well.

Note: Water side of 3ϕ separators blanked off until needed.

Shell Oil Company
Installation Diagram
Shell State "JM" & "JP" Leases
Sec. 2, T-25-S, R-37-E
Commingle Drinkard, McKee
& Ellenburger Oil
9-25-61